

Inc.

The Magazine for Growing Companies

INSTAGRAM

PAGE 66

LIFE IS GOOD

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HONEST TEA

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SXSW

PAGE 59

AND MORE

HOW WE

14 TOP ENTREPRENEURS IN THEIR OWN WORDS

DO

IT



Instagram: from zero to \$1 billion in 18 months



Honest Tea's
Seth Goldman
on sustaining
growth

Cynthia Rowley
on building a brand



Esri's Jack Dangermond
on bootstrapping to riches

CROSSFIT, UBER, ANGIE'S LIST

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Mary Quant
Creator of the Miniskirt



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07/08.13

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"One thing that has made us so successful is that we've never taken outside investment."

—JACK DANGERMUND, founder of Esri, where sales are closing in on \$1 billion

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CAN A T-SHIRT HEAL A CITY?

In the wake of the Boston bombings, Bert Jacobs, of Life Is Good, decided to find out.

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Entrepreneur-turned-VC Mark Suster is known for his blunt critiques of anyone and everyone in the start-up world. You'd be crazy not to listen to him.

By **Jessica Bruder**

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● LEAD

How We Did It

Hitting \$912 million (while saying no to investors). Selling for \$1 billion (to a guy named Zuckerberg). Laying off a third of the team (and learning to live with it)—and more tales of triumph and heartbreak, from the founders of Instagram, SXSW, Life Is Good, and more

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Resistance Is Futile

When Uber brings its car-hailing app—and its style, its attitude, and its polarizing CEO—to a new market, it is ready to fight. And win.

By **Christine Lagorio**

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● INNOVATE

Do Not Cross CrossFit

Greg Glassman does not do what he's supposed to. He just...can't. What he can do is fiercely protect the brand of CrossFit, his phenomenally successful fitness company.

By **Burt Helm**

—

PHOTOGRAPH BY **RYAN PFLUGER**



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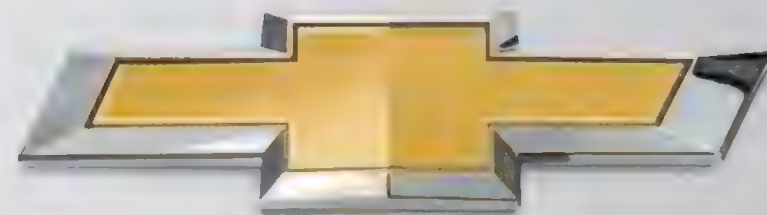
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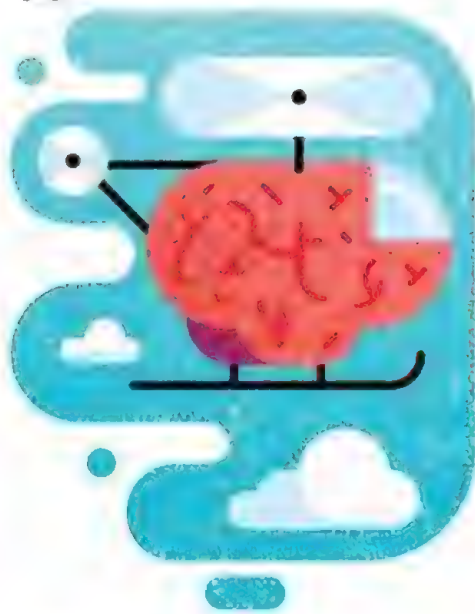
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Three Reasons Most Presentations Fail

A great product won't go far if the sales pitch is lackluster—and most pitches are, says Inc.com columnist Geoffrey James. Here are three common mistakes to avoid.

Inc.com



1

TOO MUCH INFORMATION

Don't describe every one of your products in painstaking detail. No one cares. Prospective customers want to know what your solution can mean to their lives. So try to make an emotional impact.

2

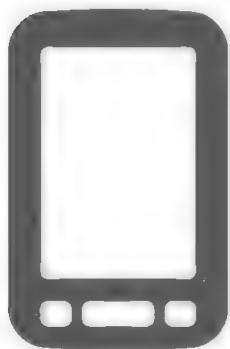
THE WRONG POINT OF VIEW

If your pitch consists of a story about how long you have been in business and a laundry list of clients, you're coming at it all wrong. Instead, make a connection by taking the customer's point of view.

3

THE SAME OLD, SAME OLD

If you can't articulate the difference between you and your competitors, why should a prospective customer pick you? Talk about what you do better than anyone else—and have examples to prove it.

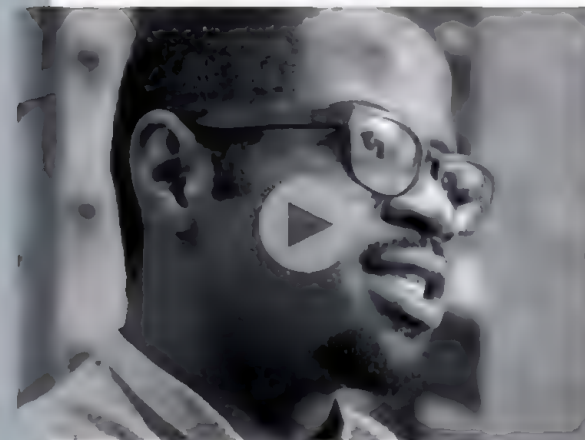


Go Beyond the Page

You'll find the icon at the left on selected pages throughout the issue. That's your signal to grab your smartphone or tablet and go deeper with the content on the page. Here's how:

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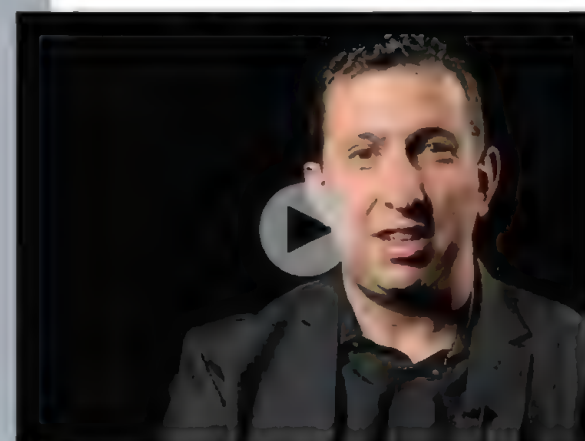
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Chinedu Echeruo

Founder of HopStop

ON HIS DECISION TO STEP DOWN AS CEO

"I realized I had to let go and say, 'This is my baby; I trust you to be a good steward for the company.'"



INC.COM/INC-LIVE

Dave Kerpen

CEO of Likeable Local

ON HOW TO GET STARTED WITH SOCIAL MEDIA

"If you only do one thing with social media, focus on listening."

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WELCOME

Why We Do “How We Did It”

I HAD COFFEE ON A RECENT MORNING with an entrepreneur, as I often do. What struck me about this founder, an enthusiastic Ohioan named Austin Allison, was how unremarkable his remarkable story was. He is CEO of dotloop, a maker of cloud-based software that streamlines the maddeningly slow dance of documentation that accompanies any home sale. Agents, real estate brokerages, and homeowners seem to find real value in dotloop's service: According to Allison, in four years the payroll has gone from two to 120, the footprint from five cities to 700, and revenue from zero to \$15 million. Along the way, Allison went through a year without salary, maxed out his home equity line of credit, nearly bottomed out on cash, and gambled what little money he could scrounge on a booth at a real estate conference. By any standard—economic, business, or human—it's a remarkable, dramatic story. But here's the thing: It's not that unusual. Facing the odds and swallowing risks to create jobs and wealth out of nothing are what entrepreneurs do. It happens all the time.



The “How We Did It” cover story in this issue (page 44) is our annual attempt to pay tribute to the endlessly remarkable and mostly untold stories of entrepreneurs unfolding all around us every day. You'll find some practical tips here, but, speaking for myself, the main takeaway is inspiration—and a little awe. It's hard to feel otherwise when you read about David Tran, who arrived here from his native Vietnam without any money or English and one month later launched what would become the wildly popular Huy Fong Foods brand of sriracha sauce. Or when you read Bert Jacobs's story of how his Life Is Good team rallied to support an employee (and other victims) who had been wounded in the Boston Marathon bombings. And then there's a whole different kind of inspiration to be gained from the story of our cover subjects, Kevin Systrom and Mike Krieger of Instagram, whose \$1 billion sale to Facebook just 18 months after launch set a new high-water mark for the rewards of entrepreneurship.

We've been around long enough at *Inc.*, however, to know that small business is not all upside, to put it

mildly. Feature subject Mark Suster has been on a crusade against hype in the start-up scene; Jessica Bruder's story on page 28 captures a (typically vulgar) piece of his mind. And on pages 82 and 102, you'll find features by Christine Lagorio on Uber and Burt Helm on CrossFit, respectively, two controversial businesses that illustrate how much entrepreneurs sometimes have to challenge the rules to make their vision stick.

Over coffee, Allison told me he wants dotloop to be a 100-year company. Statistically, founders are lucky to make it to five. And human nature suggests that if Century 21 or Keller Williams were to show up with a sufficiently generous offer, Allison's horizon might get much shorter. Still, we at *Inc.* have always preferred the builders to the flippers. They have better stories, and it's our job—and privilege—to tell them.

Eric Schurenberg erics@inc.com

CHRISTOPHER STUBMAN



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IN THE SAILING WORLD, shorthanded races (those with just one or two crew members per boat) have a reputation for being especially grueling. In May, seven two-person crews competed in the Atlantic Cup, a 16-day Class 40 race between Charleston, South Carolina, and Newport, Rhode Island, with a stopover in New York City. Pictured here in New York Harbor is *Icarus Racing*, a Class 40 boat designed by Rodger Martin Design of Newport and skippered by teammates Tim Fetsch (on the stern) and Ben Poucher (below deck). The 40-foot monohull, which is on loan from the U.S. Merchant Marine Academy Sailing Foundation, has eight sails. Since South African native Rodger Martin founded the company in 1984, he and partner Ross Weene have designed about 60 boats for international clients, averaging about \$200,000 in annual sales. Despite being one of the oldest boats in the race—it was built in 2007—*Icarus* placed third. “Rodger was really ahead of his time when he designed her,” Poucher says.

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05.14.13 7:51 P.M.

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Start-up
Success

LAUNCH

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#1
FOUR TIPS
FOR TAKING
YOUR BRAND
NATIONWIDE

20
#1
THE START-UP
WORLD'S
FAVORITE
CRITIC

**"If you truly believe
your company can
change the world,
there's no excuse
for settling for
being acquired."**

—JAKE LODWICK,
co-founder of Vimeo

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Pssst...Biz Stone Has a Secret

KEEP PEOPLE GUESSING, and you'll have their undivided attention. It's a technique that's been used by savvy marketers from Steve Jobs to the writers of *Breaking Bad*. It also seems to be the strategy behind Jelly, the latest venture from Twitter co-founder Biz Stone. A cryptic post on the Jelly website tells interested users that it is "named after the jellyfish" and that it "will be for everybody." Details on what that might actually mean, however, are scarce. Whatever it is, Jelly must be interesting, given that the start-up has raised funding from such high-profile names as Jack Dorsey and Al Gore. Even Bono is an investor. This tight-lipped approach may pique the public's interest, but Twitter co-founder Evan Williams, an investor in Jelly, says that has little bearing on a company's ultimate success. "Either you've built something people want or you haven't," he says. —JOHN BRANDON

If you can't avoid long, drawn-out meetings, at least hold them in a conference room with a cool name.

—KASEY WEHRUM



Game of Thrones fans will recognize the inspiration behind Instagram's conference-room names.

Dragonstone
Dothraki Sea
King's Landing
Riverrun



Facebook's New York City conference rooms give a nod to late-night infomercial products:

Snuggie
Shake Weight
Thighmaster

TRENDS

THE GREAT GOOGLE FIBER EXPERIMENT

Is superfast Internet all you need to create a start-up hub on the prairie? Kansas City is learning it's not so easy

K

ansas City is famous for its barbecue, not its start-up scene. That's why it came as quite a surprise when Google selected it to become the pilot city for its Google Fiber program. Despite lacking the resources normally

considered essential to tech hubs—including a solid VC base, established mentors, and universities with Stanford's cachet—Kansas City is hopeful that affordable, lightning-fast Internet will somehow spark a surge in the region's start-up activity. It's been a year since Google Fiber officially kicked off in Kansas City, so how are things going so far?

The good news is that fiber works, enabling 1-gigabit connections that are 100 times faster than standard broadband. Other than the fact that residents have an unfair advantage at World of Warcraft, however, it is still not quite clear exactly how most Kansas City entrepreneurs can take advantage of it. "The majority of the start-ups based here were founded before

this gigabit revolution started to take hold," says Matthew Marcus, chief technology officer of Local Ruckus, a curator of local events. "No one relied upon it, so we're just starting to figure out how we can leverage it to increase productivity."

Part of the problem is that though Kansas City has a sneak peek at where the

"Fiber tourists" interested in taking Google Fiber for a test drive can rent a room on Airbnb for \$39 a night.

SPREAD: CLYDE WISE/GETTY IMAGES; TOP LEFT: SHUTTERSTOCK/REBECCA MONTGOMERY; ALAMY; GETTY IMAGES; BOTTOM: SHUTTERSTOCK/REBECCA MONTGOMERY



Google Fiber has “ignited” his imagination. He has envisioned a 3-D version of his product that would utilize 1-gigabit speeds. Still, he thinks it would be premature to actually build it, given the limited number of people with Google Fiber. “It doesn’t make sense at this point,” he says.

If nothing else, Google Fiber has certainly strengthened the esprit de corps of the Kansas City tech community. That can certainly be seen in the Kansas City Startup Village, a tightly packed neighborhood of roughly 20 start-ups in the city’s Hanover Heights section, the first area to go live with Google Fiber.

The Village has lured start-ups from as far away as Los Angeles. It has also attracted the attention of venture capitalist Brad Feld, who played a role in building Boulder, Colorado’s tech community. Feld bought a three-bedroom house in Hanover Heights in February, and he recently handed the keys—rent free—for a year to Handprint, a 3-D printing software start-up that launched in Boston.

A local software developer has also started a Homes for Hackers program that offers start-ups interested in moving

to the area three months of free rent in a house in the Startup Village. Eager to try Google Fiber but not ready to move to the Midwest? “Fiber tourists” interested in taking Google Fiber for a week-end test drive can rent a room in the house on Airbnb for \$39 a night.

—ELAINE POFELDT

Internet is heading, the rest of the country is probably still years away from having 1-gigabit Internet. It’s like being the only neighborhood with telephone service—it’s cool but somewhat limited.

For example, Mike Farmer, founder of the search start-up Leap2, says

THE KIDS ARE ALL RIGHT



COLLEGE DROPOUT Michael Dell, after leaving the University of Texas

PETER THIEL MAY BE paying students to skip college, but undergrad entrepreneurs need not worry—there’s plenty of money out there for them as well. Several VC firms on the lookout for the next Michael Dell or Mark Zuckerberg have launched investment funds aimed at college entrepreneurs. First Round Capital created a \$2 million fund called the Dorm Room Fund, which targets student-run start-ups at dozens of schools, including the University of Pennsylvania and Cornell. General Catalyst has launched Rough Draft Ventures, which will back 10 to 20 student entrepreneurs at 60 Boston universities. Meanwhile, three other firms—NEA, Polaris, and Accel Partners—created the Experiment Fund on the Harvard campus, with plans to back four to six companies each year with \$50,000 to \$500,000 seed rounds. The Dorm Room Fund and Rough Draft Ventures even rely on student-run investment committees to make the investment decisions. “We’ve been blown away by their insight,” says Phineas Barnes, a partner at First Round. “They have excellent judgment.”

—JENNIFER ELSEVER

Klout pays homage to deceased rap stars with its conference rooms. R.I.P.:

Tupac
Biggie
Eazy-E
Ol’ Dirty Bastard



BuzzFeed proves that sometimes, three letters are all you need:

WTF
LOL
OMG
WIN



Groupon wins the award for the most bizarre conference-room names:

Unlimited Salad and Breadsticks
Tiny House for Big Ideas
This Used to Be a Forest

LAUNCH



How to Go From Farmers' Market to Whole Foods (in Handy Little Packets)

A nut-butter baron shares some tips for breaking out in a tired category

IN 2003, JUSTIN Gold began peddling his homemade organic nut butters at a farmers' market in Boulder, Colorado. With just \$25,000 in seed money raised from family members, Gold planned to build a strong local following for his company, Justin's, and expand slowly. In 2004, he persuaded a local Whole Foods to stock his product. Today, Justin's line of organic nut butters, organic chocolate peanut butter cups, and all-natural candy bars is available in more than 15,000 national retail stores, including Whole Foods, Target, and Starbucks. The 20-employee business generated \$20 million in sales last year. That represented

OUTSIDE THE JAR
Justin's nut butters squeezed out the competition with individual packets.

three-year growth of 614 percent, enough to place Justin's at No. 594 on the 2012 Inc. 5000. "We're a 10-year overnight success," says Gold, who is now eyeing convenience and drug stores. Here, he offers tips for getting onto store shelves, then into shopping carts. —ROBIN D. SCHATZ

1

MAN THE FRONTLINES

"When you first get into Whole Foods, you pinch yourself," Gold says. "You might think all the hard work is done. But most products fail." To boost his chances of success, Gold started by selling just three products: 16-ounce jars of cinnamon peanut butter, honey peanut butter, and honey almond butter—for \$5 to \$10 a pop in a Boulder store. He delivered the jars, stocked the shelves, and manned the sample table, where he got valuable feedback from shoppers. "It gave me time to work out my flavors and my message," he says.

2

START LOCAL; THINK NATIONAL

In the beginning, Gold focused his expansion efforts primarily on local health-food stores and specialty shops. But he also met with national retailers at trade shows and in their offices to make his pitch. "They told me the same story: 'Come back next year and we'll see how your sales improve,'" Gold says. "But I wanted them to know who I was." The strategy paid off: By 2008, Justin's nut butters were available in Whole Foods stores around the country. The next year, they launched in Wegmans, Safeway, and Kroger stores.

3

BUILD GRASS-ROOTS LOYALTY

In lieu of traditional advertising, Justin's sends free products to brand ambassadors and encourages them to spread the word. Some ambassadors are fans who have contacted the company via email or Facebook. Justin's has also recruited influential fitness and nutrition experts, such as Dave Ellis, a sports dietitian who stocks the training facilities of many professional sports teams with Justin's squeeze packs. Unsolicited plugs from celebrity fans, including actress Eva Mendes, have also added some extra honey.

4

SHAKE UP YOUR CATEGORY

A big factor in Justin's success has been its individual squeeze packs, which are geared toward campers, dieters, and brown baggers. Gold, an avid backpacker, drew inspiration for the product from the high-energy gel packs sold at outdoor-gear stores. Justin's 1.15-ounce nut-butter packs, which retail for 50 cents to \$1 each, have helped boost profit margins and set Justin's apart from rival brands. "We breathed life into a stale category," Gold says. "If I was just making nut butter, I wouldn't be here today."

ANTHONY VERONE



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Starting Up, One Class at a Time

Do you—just possibly—have some holes in your expertise? These classes will get you up to speed and back to work

THOUGH NO CLASSROOM can truly prepare you for the ups and downs of being an entrepreneur, you're not completely on your own. A new breed of start-up-focused schools, taught by entrepreneurs, has emerged to help aspiring founders fix their weak spots—whether it's being clueless about coding, flummoxed by branding, or untutored in financial models. The courses vary in terms of cost, focus, and time commitment, so here's a quick rundown of three schools to help you choose one that fits. —JENNIFER ALSEVER



COMPANY BUILDERS
Up-and-coming CEOs at work in a General Assembly classroom

1 Intelligent.ly

Best for: Time-strapped entrepreneurs within traveling distance of Boston

Intelligent.ly offers 90-minute workshops for start-up execs taught by local seasoned entrepreneurs and investors in a funky office in Boston's South End. Sessions cover the fundamentals of building a business, including brand positioning, legal advice, and financial modeling. In-class exercises help students hone their skills on the spot and force busy CEOs to stop and map out a long-term strategy. "It's about taking a step back and getting out of the day-to-day calls and emails, and reflecting on where we are and where we need to go," says Brent Grinna, CEO of the Boston-based software start-up Evertrue, who enrolled in a class on setting business objectives. In its first year, Intelligent.ly has offered 106 classes and drawn 3,000 students.

MOST POPULAR CLASSES:

- Legal Land Mines: What to Know When Starting Your Start-up
- Building a Financial Model You'll Actually Use

COST: \$25 to \$35 for a 90-minute class

2 General Assembly

Best for: With online classes available, a good option for start-up founders anywhere

Backed by \$14 million from investors, General Assembly has taught 55,000 students since its start in 2011. Classes are held both online and at physical campuses in eight cities—including Berlin, Hong Kong, London, Los Angeles, and New York. Sign up for a 60- to 90-minute class on topics like monetizing mobile apps, or dig deeper with a two-day workshop or an eight-week session of night classes on Web design. General Assembly instructors mingle with students, sharing ideas and offering advice on their businesses. "This isn't just a class," says Roman Gun, founder of the crowd-funding start-up GivingBell. "It's a community." He enrolled in a 12-week immersive Web development course in New York City.

MOST POPULAR CLASSES:

- Seed Funding Workshop
- User Acquisition and Growth Hacking for Start-ups

COST: \$30 per class; \$75 to \$400 for a two-day workshop; \$3,000 to \$12,000 for eight- to 16-week sessions

3 Starter League

Best for: Aspiring tech entrepreneurs with little coding experience

Starter League opened in Chicago in 2011 to teach aspiring entrepreneurs to develop prototype apps. An 11-week course promises to give you the know-how to build a prototype, understand your project's feasibility, and talk developer lingo—no computer-science degree necessary. The school recently introduced workshops to teach broader entrepreneurship issues, such as how to hire well. An intensive coding session taught Tom Brown how to build his own site to search real estate listings by school district. He estimates the course saved him at least \$50,000 in developer costs. "You get to learn how some of the best minds in the business build websites," he says. "It put something in my tool belt as an entrepreneur."

MOST POPULAR CLASSES:

- Web App Development for Beginners
- Visual Design

COST: \$200 to \$1,000 for two-day workshops; \$2,000 to \$8,000 for 11-week sessions

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*EPA-estimated hwy fuel economy for 2014 Subaru Forester 2.5i CVT models. Actual mileage may vary. †2013 Top Safety Picks include the 2014 Subaru Forester. **MSRP excludes destination and delivery charges, tax, title and registration fees. Dealer sets actual price. 2014 Subaru Forester 2.5i Touring shown has an MSRP of \$29,995.

TOUGH



THE TRUTH HURTS

Arye Barneham and Laura Michelle Berman pitch Mark Suster on Melon, a headband and app that help gauge the user's concentration level. Suster liked the idea but thought the headband was "not very sexy."



LOVE

Entrepreneur-turned-venture-capitalist Mark Suster is known for his blunt critiques of founders, their businesses, investors, and anyone else on the start-up scene. You might not always like what he has to say, but you'd be crazy not to listen

BY JESSICA BRUDER PHOTOGRAPHS BY GREGG SEGAL

M

ARK SUSTER is running late. Sitting in his Mercedes-Benz CLS63 AMG, he surveys the traffic

on West Sunset Boulevard through mirrored sunglasses. When his cell phone rings, Suster apologizes to the caller, an up-and-comer in Silicon Valley. "I'm sorry," he says. "I had a crazy morning."

This was no exaggeration. That morning in May, Suster had attended a business summit with South Korean President Park Geun-hye, raced to a taping of a *Wall Street Journal* webcast co-starring social-media mogul Gary Vaynerchuk, and attended two meetings with start-up founders. Now, he is speeding off to give a talk at the Hollywood Roosevelt Hotel.

When the conversation with the caller turns to term sheets, Suster's tone



LAUNCH

goes from apologetic to irritated. “You earn the right, through success, to get the kind of terms and protections you want. But you don’t even have a product,” he lectures. “You’re not at the point in your career where you get to act like a prima donna.” With that, Suster ends the call, leaves his car with the valet, and strides into the hotel to make his presentation.

Suster (rhymes with *rooster*) is in high demand these days. The entrepreneur-turned-investor is best known for Both Sides of the Table—the brash, opinionated, and gleefully obscene blog he has been writing since 2009.

Co-managing partner at Los Angeles venture capital firm GRP Partners, he has built his name into a powerful brand, much of which is based on his hype-deflating candor. Suster, 45, has a talent for tipping sacred cows—and, on occasion, infuriating his readers. On his blog, founders who waste time strutting around industry gatherings are “conference hos.” Businessmen who smile, shake hands, and then eviscerate you are “grin f---ers.” For an entrepreneur, becoming a VC means “going to the dark side.” Suster keeps a reminder of this last phrase—a Darth Vader bobblehead doll—on the windowsill of his corner office. “If you never piss anybody off, you’re not trying hard enough,” he says. “And I piss people off on a regular basis.”

Suster wrote one of his most popular blog posts, “Entrepreneurshit,” on a sleepless night in November after returning from a week-long business trip. The post dismantled the kind of glamorous fantasies about start-up life that are perpetuated by the tech press and celebrity

HOW TO PITCH A VC

What to do—and not do—during your first meeting with a VC

Don’t “tell and sell.”

The most effective pitches are two-way conversations. So stop talking once in a while and elicit feedback, Suster advises. Raise open-ended questions. Allow VCs to challenge you, and don’t respond defensively. And if you don’t have an answer right away, be honest. Use it as an excuse to follow up after the meeting.

Point out the elephant in the room...

Handle any uncomfortable issues that are public knowledge head on. Maybe you got some bad press or a founder quit. Better to raise the obvious questions yourself—and be armed with answers—rather than let suspicions linger.

...but keep your skeletons hidden—at first.

Speak up about public problems, but don’t drag out your skeletons during a first date with a VC. You’re ethically obliged to address hidden problems prior to getting funded but not during the initial moments of courtship, Suster says. Just be sure to raise the issues with your sponsor before attending a full partner meeting.

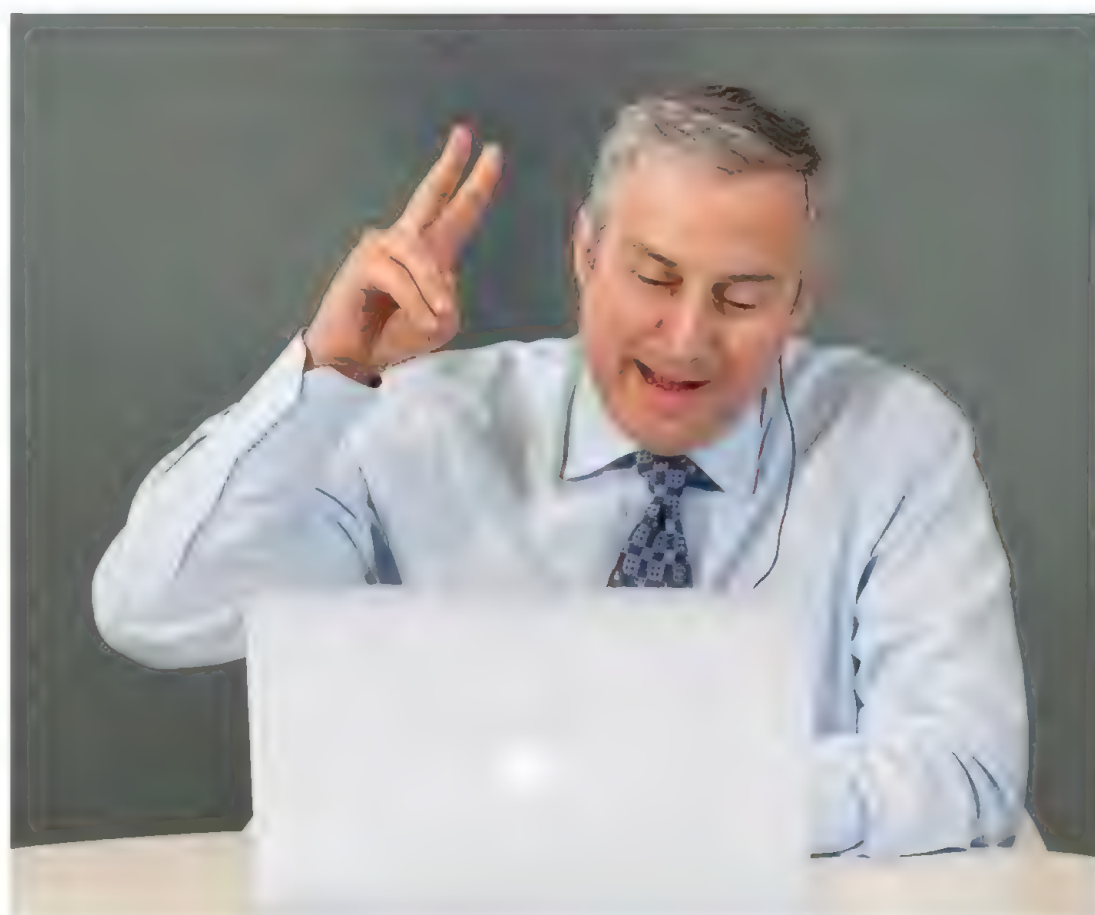
Ask for referrals.

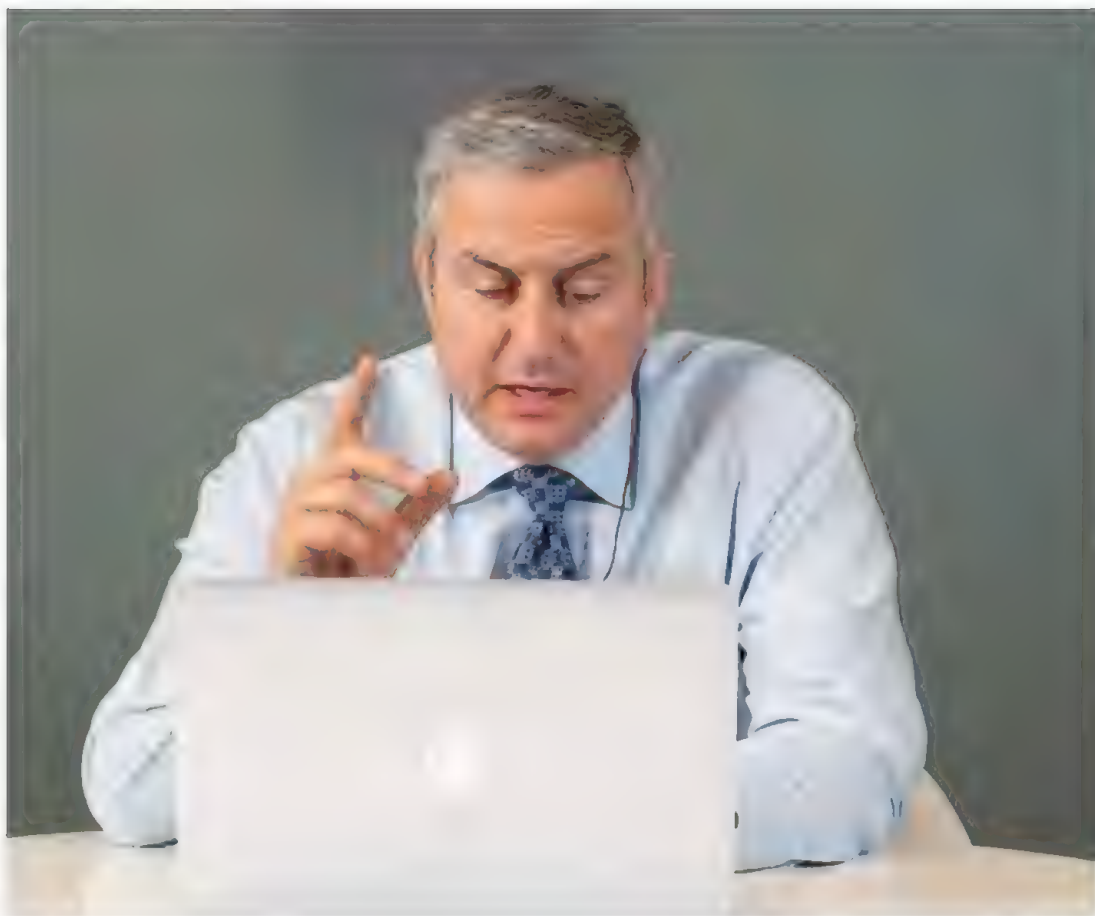
If your company shows promise but isn’t the right fit, many VCs will happily refer you to more suitable firms. So be sure to ask for referrals at the end of your meeting. —J.B.



STRAIGHT TALKER

Suster takes part in a live *Wall Street Journal* video chat about attracting the right investors.





HOW TO PISS OFF A VC

Some sure-fire ways to drive your investor crazy. (Do these at your peril.)

1

Don't keep in touch.

"Some people think, Well, I update the VC when we have board meetings," Suster says. "But when we have more context about what you're working on in a shorter cycle, we can be more helpful." Early-stage companies, especially, should send their VCs a brief summary every two weeks, charting recent accomplishments and short-term goals.

2

Focus on one partner.

The venture firm that funded you may have half a dozen partners or more. Only one sits on the board of your company. "Almost all entrepreneurs I know just manage that one relationship," Suster says. "That's a big mistake. You have to build a relationship with all the partners." After all, funding decisions are made collectively.

3

Make it all about the money.

Your venture capitalist isn't a wallet on legs. If you treat him or her like one, you're missing a valuable opportunity for mentorship. "Each partner has their own relationships, their own unique insights and experiences," Suster says. "That's a benefit to you. Not tapping into it is crazy." —J.B.

entrepreneurs. "If you read the tech press every day, you'd get the impression that it's all glamor. It's not," he wrote. Being a founder, he continued, means enduring long days of anxiety, exhaustion, airport delays, and bad fast food. It means staving off creditors and working with less than nine months' worth of cash in your family's or company's bank account at any given time. It means tamping down your insecurities long enough to persuade potential employees, customers, and investors to take a huge gamble on you. All of this in pursuit of a vision that, statistically, stands only the slimmest chance of success. "No, it's not as bad as working in coal mines," he wrote in the post. "But it is quite the roller coaster, and the stress is real."

In fact, most entrepreneurs shouldn't seek the "rocket fuel" of venture capital, he says, firmly and often. Many businesses haven't yet maximized what they can do without it, and some businesses just aren't made to scale. And there's nothing wrong, he says, with starting a company that's not positioned for massive growth, even if folks in Silicon Valley may deride it as a "lifestyle business." His take on venture capitalists? "The VC industry is very lemmingish," he says. "They find a trend and then everyone does it. But the Internet is a winner-take-most market. So you either back the winner, or you don't have outsize returns."

Six years ago, Suster was a new and relatively unknown player in venture capital. He had built and sold two businesses—the second, a content-management company called Koral, was acquired by Salesforce.com—before join-

ing his mentor and longtime investor, Yves Susteron, as a partner at GRP. His original plan was to move with his wife and two young sons to Los Angeles, spend a couple of years there learning the game from his fellow partners, then head home to open a satellite office in Silicon Valley. But around 18 months into the work, he had a revelation. "I realized, Why on earth would I go to Silicon Valley and compete with 80 other firms on Sand Hill Road, when here we're the largest VC in town?" Suster recalls. "We have amazing entrepreneurs at our doorstep and very limited venture capital. There was this enormous opportunity."

Besides, when he looked back over the trajectory of Internet-era innovation, he saw how the focus had shifted from Web infrastructure (routers, switches, and the like) to what he calls the three C's—*content, communication, and commerce*, sectors that haven't historically been dominated by Silicon Valley. Los Angeles, he says, "is the content capital of the world in terms of film and television."

Suster lambasted a group of VCs who started a meeting late and then barely paid attention to him. For that, Valleywag gave him a "hero award."

So he stayed put, dedicating himself to helping build the city's nascent tech scene. In 2009, he founded Launchpad LA, a mentorship network that encourages start-ups to grow locally—and stay local. This evolved into an accelerator, which now offers young businesses

up to \$100,000 apiece and free space in an airy, open-plan office in Santa Monica, one block from the beach. (Notable alumni include Chromatik, maker of an iPad app and Web-based learning platform for musicians that is used on *American Idol*, and Sometrics, a company that helps publishers monetize online games using virtual currency and was acquired in 2011 by American Express.) Launchpad invested in 18 start-ups last year; the companies ended up raising more than \$30 million combined in outside capital.

Of course, exposure, Suster-style, isn't always flattering. Sam Teller, Launchpad LA's managing director, still remembers what happened two years ago, when Suster introduced him to Courtney Holt, the former president of Myspace Music. Holt had just signed on as the chief operating officer at Maker Studios, a GRP portfolio company whose YouTube videos, including the blockbuster "Epic Rap Battles of History," together get more than three billion views a month. After the introduction,

Teller emailed Holt to ask him out for lunch. The next morning, he recalls, Suster published a blog post titled "Never Ask a Busy Person to Lunch." The post didn't out Teller by name, but the message was clear: Lunch lasts too long. It imposes on a busy person's schedule.



SUSTER SPEAK

Are you a baller on a budget? Or maybe an elephant hunter? Some Susterisms defined.

Entrepreneurshit

The unglamorous reality of start-up life

Ballers on a budget

Founders who lease fancy cars as they rack up credit card bills

Elephant hunters

Start-ups that focus on landing massive customers with enough "meat" to feed them for a long time. Instead, Suster says, you should hunt for deer—clients that are easier to catch but still have plenty of meat.

Gym salesmen VCs

VCs who pressure you to sign a term sheet in a couple of days and allude to pulling the deal if you don't

Seagulls

Investors who know enough about your project to have an opinion but not enough to help. They swoop in for one day to check in, shit on you, and fly away.
—J.B.

Try coffee instead. (Teller wasn't offended, but a flame war broke out in response to the post. Commenters called Suster's stance "Machiavellian bullshit" and told him to "get over himself.")

Today, Suster is one of the most influential tech investors on the Web. He is often mentioned alongside—and linked by—the two VC-blogger titans he came up admiring: Brad Feld of the Foundry Group in Boulder, Colorado; and Fred Wilson of New York City's Union Square Ventures. Feld first blogged about Suster in 2006, when Suster was still running his second company; Suster had lambasted a group of venture capitalists who started a meeting 30 minutes late and then barely paid attention to him. For that, Gawker founder Nick Denton gave Suster a "hero award" on the Valleywag website. "I'm just glad I don't appear to be

one of the assholes he met with," Feld wrote.

Suster's credibility comes from hard-won wisdom. In the aftermath of the dot-com collapse in 2000, he was forced to lay off more than half of the 92-person staff of his first company, BuildOnline, which made collaboration tools for the construction industry in Europe. "I cut some of my closest friends," he says. He was devastated. Not long before, he had attended the Fortune Global Forum at the Palace of Versailles in France, where he dined alongside Michael Dell and sipped champagne in the private wine cellars of Bernard Arnault, the chief executive of French luxury group LVMH. "I drank my own Kool-Aid," he says. "I thought we were changing the world." Six months later, no

CONTINUED
ON PAGE 110 ►

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ENLIGHTENED

Jake Lodwick, co-founder of Vimeo, learned the hard way the downsides of being acquired.

SECOND TIME AROUND

“AN ACQUISITION IS THE END OF A DREAM”

It's no wonder **Jake Lodwick**, co-founder of Vimeo, says he will never sell another company. He was fired a year and a half after selling Connected Ventures, the parent company of Vimeo and CollegeHumor, to the Internet giant IAC. Lodwick's latest venture is Elepath, a San Francisco-based software studio. He explains to *Inc.*'s Issie Lapowsky why he believes selling your business is an admission of failure.

Photograph by **NOAH KALINA**



What was life like for you at Connected Ventures after the acquisition?

It was pretty much a nightmare. I wasn't ready to be absorbed into a conglomerate and stripped of my freedom to be creative. What made it a nightmare was this gradual introduction of process into everything we did. Whereas we once made decisions ourselves, now we were required to go to weekly meetings, then two meetings a week, then three meetings a week. Innovation slowed down on our existing products, but we also stopped launching new stuff. They fired me a week or two before I was planning to quit.

You launched Elepath without having a specific product in mind. Why was that?

Many start-ups put all their eggs in one basket by picking a single product and working only on that. But that's just so risky. Also, creative developers don't want to work on the same project for more than nine months. Elepath is an environment in which they can work on whatever they feel is interesting. Some of those projects will become big hits. Whether that's one out of five projects or one out of 100, I don't know yet.

It seems as if you would need a solid track record and a lot of funding to pull that off. How can first-time entrepreneurs apply that philosophy?

I built the first incarnation of Vimeo spontaneously, to solve my own problem of getting video clips onto the Web. Eight years later, it gets 100 million visitors a month. You can't predict what something is going to turn into. You have to trust your employees and let them follow their intuitions. Usually, this will lead nowhere, but it's

the only way to unearth breakthrough hits. Even though I've been involved in a lot of successful products, I don't possess a magical foresight. I don't know if an idea is worth working on or not. That's a decision for the developer to make.

What would you say to entrepreneurs who hope to see their businesses acquired?

If you truly believe in the potential of your company to change the world for the better, there's no excuse for settling for an acquisition. An acquisition is the end of a dream. Today's titans push the ideal of acquisition because they're afraid of future competitors. Google knows that its biggest threat could come from two grad students, the Larry and Sergey of 2013. If you're an entrepreneur who's been seduced by the dream of acquisition, you're basically giving up before you even try. It's OK to sell your company if you're honest about it: "This didn't work out, so we're selling." But there's a dishonesty

As an early investor in Tumblr, Jake Lodwick has mixed feelings about its recent \$1.1 billion acquisition by Yahoo.

"I'm so proud of David [Karp] for building a hugely popular, beautiful product. But I'm disappointed he didn't focus more on making Tumblr profitable and independent five years ago. I worry about Tumblr's future, because it's now owned by a company with a history of destroying great products."

among many entrepreneurs. They say, "Our mission will continue" or "Nothing will change." In fact, the mission was lost, and everything will change.

Is it safe to say you will never sell Elepath?

If Elepath is sold, I will have failed to achieve my goal.

LAUNCH



THE STARTING LINE

Eric Paley

How Not to Get Fired

The last thing most investors want to do is replace a founder. Avoid these mistakes, and your investors won't have to

GETTING FIRED from the company you created is probably the last thing you can imagine. Unfortunately, it's a fairly regular occurrence that can have devastating effects on both you and the company.

Dismissing a founder is never an easy decision for a board to make. In general, investors have good reasons to want to see you lead the business to long-term success. You are the person who got the investors

excited about the company and sold them the vision, and you are the person they bet on to lead the company. Start-ups have lots of luck hiring managers but generally little luck hiring visionaries. Not to mention the fact that hired CEOs are quite expensive.

But boards have an obligation to investors to do what is in the best interests of the company, and if you give them no better option, they will get rid of you.

I have found that there are a few failure modes—fireable offenses, so to speak—that ultimately persuade a board to replace a founder. Here are the three most common.

Eric Paley is an entrepreneur and a managing partner of Founder Collective, a seed-stage venture capital fund. He is based in Cambridge, Massachusetts.

regards senior managers as your potential replacements. In my view, however, the best evidence that you should stay in the CEO seat is if you demonstrate the ability to recruit and lead a team of experienced functional leaders. If outstanding talent is willing to work for a less-experienced but inspiring CEO, that's evidence enough that you are doing a terrific job as a leader.

To be sure, I have seen numerous underperforming start-ups whose board members are so impressed with the founder that they find it simply unthinkable that anyone else would lead the company. If you can manage to avoid the mistakes above, you'll earn the support of your board, and you'll stay in the CEO seat long enough to get the business back on track.

FIREABLE OFFENSE NO. 1

FAILING TO ADDRESS REAL PROBLEMS

In my experience, the most frequent failure occurs when founder CEOs don't confront the hard facts. You get so invested in selling the grand vision of the company that you fail to deal with the challenges that the company is facing every day. Moreover, fear of appearing incompetent can cause you to downplay any problems in the business. By failing to address those challenges, however, you start to lose all credibility with the board of directors. I've seen CEOs who insist that things are going well, even though the company is demonstrably far behind plan. It is nearly impossible to take meaningful corrective action as a company when a CEO is insisting that everything is rosy.

FIREABLE OFFENSE NO. 2

NEGLECTING FUNCTIONS OUTSIDE YOUR COMFORT ZONE

Most founders have expertise in a single area—be it engineering, product, or marketing. Staying within your core experience and neglecting other areas is a common problem. For example, I see lots of founders who come from product backgrounds (my bias as the best background for a start-up CEO) and fail to recruit and manage a great sales and marketing organization. Too often, they undervalue the importance of less-familiar functions to the company's success. When a product-experienced CEO is struggling in all areas but product, that person should probably consider stepping down as CEO and simply running product.

FIREABLE OFFENSE NO. 3

NOT RECRUITING AN AWESOME SENIOR TEAM

Founders are frequently threatened by leaders with more experience. Perhaps you worry that the board

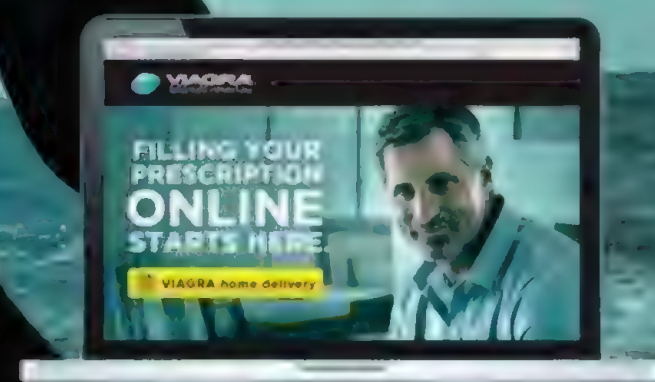


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IMPORTANT SAFETY INFORMATION BELOW.

Do not take VIAGRA if you take nitrates, often prescribed for chest pain, as this may cause a sudden, unsafe drop in blood pressure.

Discuss your general health status with your doctor to ensure that you are healthy enough to engage in sexual activity. If you experience chest pain, nausea, or any other discomforts during sex, seek immediate medical help.

In the rare event of an erection lasting more than 4 hours, seek immediate medical help to avoid long-term injury.

If you are older than age 65, or have serious liver or kidney problems, your doctor may start you at the lowest dose (25 mg) of VIAGRA. If you are taking protease inhibitors, such as for the treatment of HIV, your doctor may recommend a 25-mg dose and may limit you to a maximum single dose of 25 mg of VIAGRA in a 48-hour period. If you have prostate problems or high blood pressure for which you take medicines called alpha blockers, your doctor may start you on a lower dose of VIAGRA.

In rare instances, men taking PDE5 inhibitors (oral erectile dysfunction medicines, including VIAGRA) reported a sudden decrease or loss of vision or hearing. It is not possible to determine whether these events are related directly to these medicines or to other factors. If you experience sudden decrease or loss of vision or hearing, stop taking PDE5 inhibitors, including VIAGRA, and call a doctor right away.

VIAGRA should not be used with other ED treatments. VIAGRA should not be used with REVATIO or other products containing sildenafil.

VIAGRA does not protect against sexually transmitted diseases, including HIV.

The most common side effects of VIAGRA are headache, facial flushing, and upset stomach. Less commonly, bluish vision, blurred vision, or sensitivity to light may briefly occur.

Please see Important Facts for VIAGRA on the following page or visit viagra.com for full prescribing information.

*There might be an additional shipping and handling surcharge to ship orders outside the 48 contiguous states.

You are encouraged to report negative side effects of prescription drugs to the FDA. Visit www.FDA.gov/medwatch or call 1-800-FDA-1088.

The blue diamond tablet shape is a registered trademark of Pfizer Inc.



IMPORTANT FACTS



VIAGRA[®]
(sildenafil citrate) tablets

(vi-AG-rah)

IMPORTANT SAFETY INFORMATION ABOUT VIAGRA

Never take VIAGRA if you take any medicines with nitrates. This includes nitroglycerin. Your blood pressure could drop quickly. It could fall to an unsafe or life-threatening level.

ABOUT ERECTILE DYSFUNCTION (ED)

Erectile dysfunction means a man cannot get or keep an erection. Health problems, injury, or side effects of drugs may cause ED. The cause may not be known.

ABOUT VIAGRA

VIAGRA is used to treat ED in men. When you want to have sex, VIAGRA can help you get and keep an erection when you are sexually excited. You cannot get an erection just by taking the pill. Only your doctor can prescribe VIAGRA.

VIAGRA does not cure ED.

VIAGRA does not protect you or your partner from STDs (sexually transmitted diseases) or HIV. You will need to use a condom.

VIAGRA is not a hormone or an aphrodisiac.

WHO IS VIAGRA FOR?

Who should take VIAGRA?

Men who have ED and whose heart is healthy enough for sex.

Who should NOT take VIAGRA?

- If you ever take medicines with nitrates:
 - Medicines that treat chest pain (angina), such as nitroglycerin or isosorbide mononitrate or dinitrate
- If you use some street drugs, such as “poppers” (amyl nitrate or nitrite)
- If you are allergic to anything in the VIAGRA tablet

BEFORE YOU START VIAGRA

Tell your doctor if you have or ever had:

- Heart attack, abnormal heartbeats, or stroke
- Heart problems, such as heart failure, chest pain, angina, or aortic valve narrowing
- Low or high blood pressure
- Severe vision loss
- An eye condition called retinitis pigmentosa
- Kidney or liver problems
- Blood problems, such as sickle cell anemia or leukemia
- A deformed penis, Peyronie’s disease, or an erection that lasted more than 4 hours
- Stomach ulcers or any kind of bleeding problems

Tell your doctor about all your medicines. Include over-the-counter medicines, vitamins, and herbal products. Tell your doctor if you take or use:

- Medicines called alpha-blockers to treat high blood pressure or prostate problems. Your blood pressure could suddenly get too low. You could get dizzy or faint. Your doctor may start you on a lower dose of VIAGRA.
- Medicines called protease inhibitors for HIV. Your doctor may prescribe a 25 mg dose. Your doctor may limit VIAGRA to 25 mg in a 48-hour period.
- Other methods to cause erections. These include pills, injections, implants, or pumps.
- A medicine called REVATIO. VIAGRA should not be used with REVATIO as REVATIO contains sildenafil, the same medicine found in VIAGRA.

POSSIBLE SIDE EFFECTS OF VIAGRA

Side effects are mostly mild to moderate. They usually go away after a few hours. Some of these are more likely to happen with higher doses.

The most common side effects are:

- Headache
- Feeling flushed
- Upset stomach

Less common side effects are:

- Trouble telling blue and green apart or seeing a blue tinge on things
- Eyes being more sensitive to light
- Blurred vision

Rarely, a small number of men taking VIAGRA have reported these serious events:

- Having an erection that lasts more than 4 hours. If the erection is not treated right away, long-term loss of potency could occur.
- Sudden decrease or loss of sight in one or both eyes. We do not know if these events are caused by VIAGRA and medicines like it or caused by other factors. They may be caused by conditions like high blood pressure or diabetes. If you have sudden vision changes, stop using VIAGRA and all medicines like it. Call your doctor right away.
- Sudden decrease or loss of hearing. We do not know if these events are caused by VIAGRA and medicines like it or caused by other factors. If you have sudden hearing changes, stop using VIAGRA and all medicines like it. Call your doctor right away.
- Heart attack, stroke, irregular heartbeats, and death. We do not know whether these events are caused by VIAGRA or caused by other factors. Most of these happened in men who already had heart problems.

If you have any of these problems, stop VIAGRA. Call your doctor right away.

HOW TO TAKE VIAGRA

Do:

- Take VIAGRA only the way your doctor tells you. VIAGRA comes in 25 mg, 50 mg, and 100 mg tablets. Your doctor will tell you how much to take.
- If you are over 65 or have serious liver or kidney problems, your doctor may start you at the lowest dose (25 mg).
- Take VIAGRA about 1 hour before you want to have sex. VIAGRA starts to work in about 30 minutes when you are sexually excited. VIAGRA lasts up to 4 hours.

Don't:

- Do not take VIAGRA more than once a day.
- Do not take more VIAGRA than your doctor tells you. If you think you need more VIAGRA, talk with your doctor.
- Do not start or stop any other medicines before checking with your doctor.

NEED MORE INFORMATION?

- This is only a summary of important information. Ask your doctor or pharmacist for complete product information OR
- Go to www.viagra.com or call (888) 4-VIAGRA (484-2472).



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LEAD

Inspire.
Empower.
Get Results.

"I tell all my employees: If you want to make something happen, put it out there as loudly as possible."

—CYNTHIA ROWLEY,
designer and entrepreneur

PG. **46**

PG. **40**

WANT TO GET MORE
DONE? PUT DOWN
THAT DOUGHNUT

PG. **44**

SPECIAL REPORT

How We Did It

Fourteen entrepreneurs on taking risks, winning big, cashing out—and going to North Korea with Dennis Rodman

You Lead as You

FOR ENTREPRENEURS, eating isn't just about satisfying hunger. So say the growing ranks of nutrition experts who specialize in fine-tuning the metabolic performance of business leaders. "You're like an athlete in the workplace," says Richard Chaifetz, CEO of ComPsych, a Chicago-based provider of corporate wellness and employee-assistance programs. "So you should eat like an athlete."

At the very least, that means lots of lean protein, fruits and vegetables, and complex carbohydrates; no processed foods; and minimal white flour and sugar. But when you spend all day confronting challenging mental tasks, the brain's nutritional demands are greater.

For example, have you ever worked so hard that it felt as though your brain were on fire? It sort of was, says Patti Milligan, director of nutrition at Tignum, a consultancy that helps businesses boost employee performance through holistic wellness programs. "You produce lots of oxidants in the brain when you're working," she says. "Foods that are high in antioxidants—berries, beans, apples, tea—act like flame retardants."

And don't forget water. "The brain is 70 to 80 percent water," Milligan says. "When it's metabolically active 10 to 12 hours a day, removing metabolic waste from the brain requires optimal hydration." She suggests "super-hydrating" with two cups at the beginning of the day and avoiding "dehydrators," like

BRAIN FOOD

DRINK WATER

A 2011 study in the *British Journal of Nutrition* found that even mild dehydration in men reduced vigilance and memory and increased tension, anxiety, and fatigue.

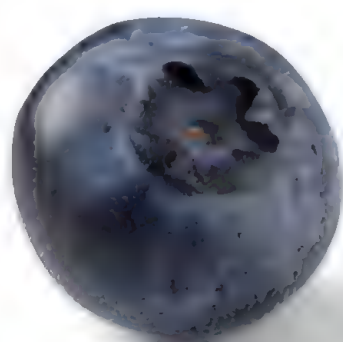
PUT DOWN THAT FRENCH FRY

A 2009 Cambridge University study found that high-fat diets made laboratory rats not just slower but dumber.

SUGAR=BAD

A recent UCLA study found that a diet high in fructose slows the brain, hampering memory and learning. Omega-3 fatty acids—found in salmon, walnuts and flaxseed—can counteract the disruption.

EAT TO WIN
A MEAL PLAN FOR LEADERS



BREAKFAST

Start your brain; ensure long-lasting energy

EAT Egg-white omelet; breakfast burrito on whole-grain tortilla; steel-cut oatmeal with fruit; smoked salmon on whole grain bread; high-fiber muesli with nuts, fruit, and yogurt



LUNCH

Fill up without bogging down

EAT A salad with meat or fish; a wrap with vegetables; sushi; chili. Veggies and grains are packed with antioxidants to fight fatigue.

Eat

processed sugary foods, high doses of caffeine, and soda. And watch out for “brain fog,” which can be evidence that you need to hydrate.

Speaking of caffeine, “coffee depletes serotonin, which contributes to a sense of well-being,” says Barbara Mendez, a New York City nutrition consultant who works with many business clients. “If you have it on an empty stomach, that quick delivery to the bloodstream leads to more anxiety and stress.” So save the coffee for midafternoon, when your hormonal and neural connections often need the boost.

If you do just one thing, cut out fatty foods. Andrew DiMichele, chief technical officer of Omada Health, an online diabetes-prevention program, gave up fries and chips at lunch and found an almost immediate boost in productivity. “A couple of weeks ago, I let this slide, and it was a stark reminder,” DiMichele says. “Not only was I sleepy and unattentive all afternoon, but I was in a miserable mood.”

Science bears this out. According to a Cambridge University study, after five days on a high-fat diet, the treadmill performance of lab rats declined by half. Moreover, the rats eating fatty chow began to falter on a maze test they had been trained on—finding only five treats before making a mistake. The healthier rats were able to find six or more treats. And as any entrepreneur knows, it’s all about finding the treats.

—ADAM BLUESTEIN

BREAKFASTS OF CHAMPIONS

A smoothie or a cigar? Ice cream or kippers? Can you guess what these leaders ate (or continue to eat) each morning to fuel up for the day’s challenges?

Match the leader on the left to the meal on the right

WINSTON CHURCHILL

WARREN BUFFETT

RICHARD BRANSON

JOHN MACKEY

ABRAHAM LINCOLN

MARGARET THATCHER

D. Häagen-Dazs ice cream

A. Fruit salad and muesli. Kippers on occasion

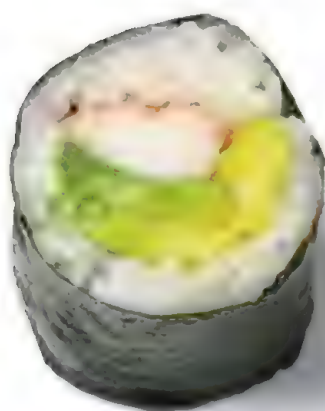
E. Poached egg, toast, jam, butter, coffee and milk, cold chicken or meat, grapefruit, orange squash, whiskey soda, cigar

F. Smoothie with almond, rice, or soy milk and fresh fruit, spinach, or kale

B. Coffee and half a grapefruit

C. One egg, toast, coffee

KEY
A. BRANSON
B. THATCHER
C. LINCOLN
D. BUFFETT
E. CHURCHILL
F. MACKEY



SNACKS

Sustain energy and focus

EAT Nuts and berries boost omega-3s and antioxidants. For something sweet, stick with citrus fruits. They contain pectin fiber, which helps you use the plant sugars slowly—compared with the sugar rush you get from candy.



DINNER

Lay the foundation for a good night’s sleep

EAT If you’re hungry, have a healthful snack before bed—low glucose levels interfere with sleep. So does alcohol. A better bet: chamomile tea, which helps induce sleep as the body cools after drinking.

[Source: SHL Global Leadership Study]



BALANCING ACTS

Meg Cadoux Hirshberg

The Entrepreneur's Marriage Dashboard

Using metrics to track the health of your relationship



CONVENTIONAL WISDOM says you can't manage what you don't measure. Entrepreneurs are connoisseurs of dashboards, scorecards, and other tools that track their companies' performance. I wondered: Could one apply business metrics to family life?

That sounds like me speaking the last rites over romance. But think about it. Company building strains relationships, and merely asserting, "We need to love each other more" won't cut it. Metrics force people to monitor progress and make corrections when goals aren't met. In the domestic context, they nudge spouses to keep the marriage healthy.

That works for Matthew Stewart, CEO of National Services Group, a construction contractor in Irvine, California. Matthew and his wife, Jill, use a dashboard called the Wheel of Life to evaluate their relationship as well as their finances and careers. Every six months, they score themselves from 1 to 7 in each

category. "We compare our answers and if, for example, I say we are a 6 in the relationship category but her perception is that we are a 4, we may decide to do something adventurous, like ride camels in the Moroccan desert," Matthew told me. The couple also goes on semiannual three-day retreats, just as Matthew does with his business partners. In a relaxing locale, Matthew and Jill prepare a strategic plan for the family.

R.J. Lewis, CEO of eHealthcare Solutions, a marketing company in Ewing, New Jersey, has also applied business tools in private life. When he and his wife, Cathy, were dating, they went through the same personality profile exercise R.J. uses on job candidates. I asked R.J. about the effect of analytics on romance. "Romance can fade in importance over time," he replied. "It gets you to fall in love in the first place. But I don't think it's as big a motivator to stay together as the glue of a common dream and vision."

Inspired by the quest for trackable assessments of love, I decided to create a marriage dashboard by adapting some common business metrics for domestic life. Here are a few examples:

Emotional inventory: You incur large costs by keeping feelings on the shelf. Encourage turnover through regular frank conversations.

Affection retention: It's more efficient to keep your spouse happy than to keep winning him over again and again. Acts of appreciation, large and small, go a long way.

Debt-to-equanimity ratio: The spouse is the overburdened entrepreneur's port in the storm. Calculate how much you unload on her compared with how much she unloads on you.

Grievances per month: Driven by exigency, entrepreneurs offend in many ways, from missing dinners to raiding family accounts. Discuss forms of redress and ways to prevent repeat infringements.

Innovation quotient: Couples must work to keep their relationships fresh. Prime your activity and conversation pipelines with new material.

Spousal lifetime value: Your marriage should last at least as long as your business. Weigh what you gain from decades of domestic harmony when considering what to sacrifice for your company.

I can't picture Gary and me plotting our relationship on a spreadsheet. But we do check in with each other pretty often to make sure we're both satisfied. And if someone asked me to rate, from 1 to 10, the likelihood I'd give this guy my business again, I'd go to 11. No exit strategy required.



SCAN THE PAGE TO SEE MEG TALK ABOUT BALANCING FAMILY AND BUSINESS. (See page 12 for details.)

Meg Cadoux Hirshberg is the author of *For Better or for Work: A Survival Guide for Entrepreneurs and Their Families*. She is married to Gary Hirshberg, co-founder of Stonyfield Farm.

CHRISTOPHER HIRSHBERG

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run safer, smarter and

/sharper/

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Steve Young

Football Legend

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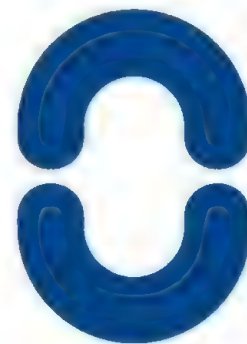
Hitting \$912 million
(while saying no to
investors). Selling for
\$1 billion (to a guy
named Zuckerberg).
Laying off a third
of the team (and
learning to live
with it).
Fourteen
entrepreneurs
on triumphs,
heartbreak,
and tough
choices

How We
Did It



HOW WE MADE BOSTON'S WORST DAY EVER A LITTLE BIT BETTER

Photograph by **RYAN PFLUGER**



ON MARATHON DAY, we had 10 people walking around near the finish line, representing the brand. Another dozen were hanging out and cheering people on. I'd been at the Red Sox game and was having a beer with some people afterward when I heard what went down. We got everyone together back at our Newbury Street offices and took count. We were missing one.

I promised I wouldn't give out the guy's name. He's a good employee who has been with us for a while. He was watching the race and had been standing close to the second bomb. I got over to Mass General. It was chaos. His ex-wife couldn't come because she was taking care of the kids, but I wasn't able to see him or get any information because I wasn't family. I went home not knowing whether he was going to live or die.

The next day, I was able to see him. He was badly burned and wrapped up head to toe. They had been operating on him all night. But in the first 30 seconds, he told me how grateful he was. Because he knew other people were worse.

The day after the attacks, our employees started asking whether we could do something to raise money for the victims and their families. I said no. I felt like we had to get our own house in order,



BERT JACOBS
CO-FOUNDER AND
"CHIEF EXECUTIVE
OPTIMIST" OF
LIFE IS GOOD

— A Boston-based lifestyle business best known for its whimsical T-shirts —

to feel like it was OK to get back to work, before helping somebody else. But we're a brand about the power of optimism. We should be leaders of the spirit when bad things happen. So by Sunday, I changed my position and said we should make a T-shirt.

We looked at what was already out there. A lot of "Be Strong" and "Boston Strong," that tough Irish mentality. I don't knock that. But it's almost like they're suppressing emotion: We're so strong, let's just move on. Life Is Good focuses on what's right in the world. No matter how you slice it, this was a hate crime. But instantly afterward, all these people—the first responders and the people who helped people on the street and opened up their homes and ran to the hospitals to give blood—performed acts of love. So we created a shirt that says "Boston" on the front and "There is nothing stronger than love" on the back.

Something like that happens, it freezes you. But this got everybody busy. It healed us internally. We have 260 employees, and there is not a single person who did not touch that shirt. From start to finish, we got it out there in just under 30 hours. We're not built to turn something around that fast, but our people figured it out. They worked day and night. We're proud of their hustle.

Our sales died right after the attacks. But after we put the T-shirt on sale, they rebounded pretty quickly. People came to our website for the shirt, and they also bought other things. We got new customers. So the shirt let us be part of the healing. But it helped the business, too.

We sold 75,000 units in the first few weeks—it may be our fastest-selling product ever. All the profits are going to One Fund Boston. We thought we would raise \$50,000 or \$100,000; we may raise half a million. As for our employee, he is in rehab now, and we're hopeful he'll make a full recovery. He has the right attitude.

As told to **LEIGH BUCHANAN**

HOW I BUILT A

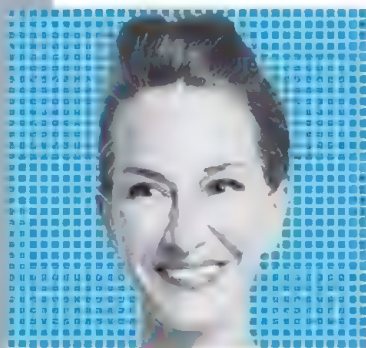
(BY NOT FOCUSING ON FASHION)

IN 1983, A TWENTYSOMETHING

Cynthia Rowley sewed her first line of dresses and prepared her debut fashion show. It was staged in her walkup apartment, and she invited all of New York's top fashion editors.

No one came. But Rowley kept at it. She launched her namesake company in 1988, quickly popularizing a sophisticated, single-girl-in-the-city look. Today, her business has sales of more than \$130 million, and Rowley is one of the fashion world's great innovators, someone who brings her sensibility

to a wide array of products and business models. At right, Rowley walks us through the products that have defined her unique approach.



CYNTHIA ROWLEY
FOUNDER OF
CYNTHIA ROWLEY INC.

A New York City-based
fashion and product-
design company



I would die if all I did was fashion.

I've sewed since I was little. My grandparents are both painters, and my mom is an artist. I thought making things was normal. This dress, from spring 2012, comes from a collection where we experimented with colors and designs to create abstract prints and fun, feminine pieces. But I think things I've done beyond my clothing line have had more of an impact.



ROWLEY: ERIN PATRICE O'BRIEN/ORBIS
DRESS: COURTESY COMPANY

FASHION DYNASTY

2

I kept wondering, Why are all these eyewear sites selling the exact same frames?

The very first license I signed was with eyewear company B. Robinson, and we have made great glasses together. Now we've decided to sell our eyewear online, at CynthiaRowleyEyewear.com and MrPowersEyewear.com. We also offer eyewear insurance called Rowley Care—you pay a little per year, and then if you lose or scratch your glasses, a new pair is half price. The sites launched in June and address two business issues I care about: How do you find wider distribution? And how do you reinvent a successful and established partnership?



3

When Target approached me to do a home line in 2000, it seemed like a natural progression.

I've always been interested in much more than clothes. Target had this pop aesthetic, and my brand was about living a colorful life with swagger and style. So I did everyday objects in bright colors and stripes. That first license lasted three years. We went back again in 2008 for a 10-week seasonal stint called Whim—and did things like this pink garden hose and a baby blue Weber grill. The idea was that our single girl had started a fashionable family. I'll probably go back for the stylish senior citizens.



6

Why should kids have all the fun?

I mentioned in an interview that my dream was to design Band-Aids for adults. A few weeks later, someone from Johnson & Johnson called. I tell all my employees: If you want something, put it out there as loudly as possible. In 2010, we launched a limited edition of fashionable Band-Aids at a runway show. We immediately signed a licensing agreement and went mass. One of my greatest milestones is going to CVS and seeing SpongeBob alongside Cynthia Rowley.

4

I've been surfing for years and hated that I looked like a little dude in the water.

I was like, "Why hasn't anyone made a great-looking wetsuit?" I met someone who worked for a wetsuit company who said it was really hard. I love a challenge and started working—and learned how technical it is. Welded seams are hard! But these suits are completely functional and totally fashionable. Colette, a chic store in Paris, did its windows entirely in wetsuits when we first launched. Barneys followed.



5

The more people shop online, the more a brick-and-mortar shopping experience has to be something delightful.

Earlier this year, we opened two CuRious stores in Manhattan. And we hope to do more. The first floor is Cynthia Rowley fashion, and the second is a candy speakeasy: black licorice and salted caramel cotton candy, eyeball lollipops, hard candy sculptures, edible tableware (below).



As told to LIZ WELCH Photographs by ANTHONY VERDE

LEAD



How We Hit \$912 Million

M

Y PARENTS WERE IMMIGRANTS

who started a nursery as a way to get us kids through school. I learned around the

dinner table about customer service and cash flow and paying bills. There's no substitute for growing up around people who actually like doing business.

I went on to Harvard and got very interested in computers and studying the earth's landscape. After school, my wife and I moved back home to Redlands, California, and started working in our own very modest way. Redlands is not a high-tech capital like Silicon Valley. But it allowed us to live cheaply in a \$400-a-month apartment. We had \$1,100 total when we incorporated Esri.

Today, about 350,000 organizations use our tools. We have 9,000 employees worldwide and \$912 million in revenue. In our 43 years, we have never missed a quarter. We've never had any layoffs; we've never had any downsizing. It's just been very conservative, systematic growth.

One thing that has made us so successful is that we've never taken outside investment. That means we can concentrate on what our customers want—not what the stockholders or the VCs want. That's a strategic advantage. Customers notice that we are actually here to support them. And their needs help us innovate. We spend about a quarter of our annual revenue on innovation—about twice what a normal public company spends.

I don't understand why young entrepreneurs feel this pressure to take venture capital or go public. Don't get me wrong: Public companies are A-OK with me. I just think there is another way. Staying private is a lot more sane. Sure, I have the demands of my customers. But I don't have that investment world breathing down my back constantly. In Redlands, we're out of the Silicon Valley fray, where you can get a better job if you move across the street and venture capitalists are always searching you out. Being in this so-called backwater, we are not well known, so we don't have investors wanting to get rich out of the good work we are doing. By not, as they say, "monetizing" the company, we can concentrate on the work that needs to get done.



JACK DANGERMOND
CO-FOUNDER OF ESRI

— A Redlands, California-based maker of mapping software —

As told to **CHRISTINE LAGORIO** Photograph by **SPENCER LOWELL**



"I don't understand
why young
entrepreneurs feel
this pressure to take
venture capital."



NAOMI WHITTEL
FOUNDER OF
RESERVEAGE
ORGANICS

A Boca Raton, Florida-based manufacturer of nutritional supplements



How I Nailed My Debut on QVC

M

Y EXECUTIVE ASSISTANT was the first to suggest that I go on QVC. I brushed it off. But a very good friend of mine in the skin care world introduced me to the buyers there, and after a three-hour meeting, I realized I was wrong. The network said it would put me on the air only after a rigorous scientific and legal process. I was impressed.

But my staff was not. My sales team thought I was turning my back on our core customers—the health-food stores that had embraced our products from the start. As the news spread among our customers, the main feedback was, “How could you do this?” But I wanted to reach the shopper who doesn’t shop at GNC or Whole Foods.

Before I decided to go for it, I pored over case studies and all the analytics. QVC reaches more than 90 million households, which means I would be speaking directly to the QVC customer, as well as the Whole Foods customer who was flipping channels and maybe even the CEO of GNC. In the end, my decision was based on pure instinct.

My debut was in September 2011. I was selling our antiaging Resveratrol supplements. I was very nervous and very overwhelmed. QVC has an in-house talent trainer—she told me to talk to the camera as if it were my sister or best friend. The pressure is intense. When you go on, you have one shot—you either make it or you don’t. I didn’t know how well I did until it was over. That’s when I saw the numbers—we had reached our goal. Still, I did not exhale for months.

We have since introduced other lines. Not everyone who sees you on QVC is going to buy your product that day, but since I started this, our customer base has grown 30 percent; in 2012, revenue hit \$70 million. Even better, soon after I appeared, I started getting texts from my retailers, whose sales of Reserveage products have since doubled, saying, “Great job!”

As told to **LIZ WELCH**

HOW I ACED MY IPO



JON ORINGER

CEO AND FOUNDER OF SHUTTERSTOCK, the photography stock site that raised \$76.5 million in an IPO last October

➔ About six months before the IPO, I started listening in on quarterly analyst calls. I listened in on 50 to 100, including Google’s and those of companies that had growth numbers similar to ours. I would find a quarter where a company had done really well on EBITDA (earnings before interest, taxes, depreciation, and amortization) or a quarter where it did well on revenue but not EBITDA, and listen to the differences in the analysts’ tones. It seemed like as long as you explained things in detail and people understood what you were doing and why, they would be OK.

I wanted to talk to some public-company CEOs. But they are pretty busy. So I mostly got advice from one CEO, of a bank, whom a friend introduced me to. He told me that investors are going to do what they are going to do, and that I should just concentrate on my business. And if it means making some momentum investors unhappy in the short term because we’re running this with a long-term vision, that’s OK.

Since we went public, I’ve been asking a lot of people here whether anything has changed. Not a lot has. —AS TOLD TO LEIGH BUCHANAN

PHOTO LEFT: COURTESY RESERVEAGE ORGANICS; LAMIELLA ZAITMAN



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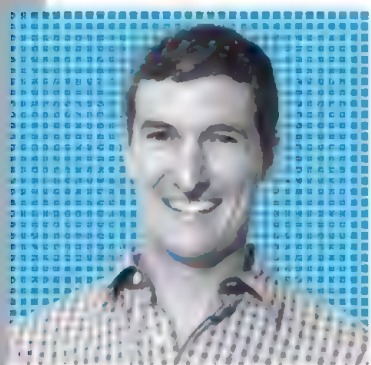
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HOW I SOLD TO COKE BUT KEPT MY SOUL



SETH GOLDMAN
CO-FOUNDER AND CEO
OF HONEST TEA

A Bethesda, Maryland-based manufacturer of healthful beverages

In 2008, Seth Goldman and Barry J. Nalebuff shocked the sustainable-business community by selling Honest Tea, a pioneer in green business practices, to Coca-Cola, for \$43 million. The story of how the pair got to that deal is told in comic-book form in "Mission in a Bottle: The Honest Guide to Doing Business Differently—and Succeeding," which hits the shelves this fall. In the excerpt here, Coke's offer is on the table, the clock is ticking, and Goldman and Nalebuff quiz their colleagues, investors, and board about the proper course to take.

DISCUSSION WITH OUR LEADERSHIP TEAM

WHAT DO YOU THINK WE SHOULD DO?

I'M EXCITED ABOUT THIS OPPORTUNITY. I THINK WE CAN GET TO \$150 MILLION IN SALES IN THREE YEARS.

ARE THEY COMMITTED TO OUR NATURAL FOODS BUSINESS?

NATURAL FOODS IS WHERE WE GOT OUR START AND WHERE WE BUILT OUR BRAND. THEY UNDERSTAND HOW IMPORTANT IT IS TO US.

SO LONG AS PEOPLE JUDGE US BY WHAT WE DO, WE SHOULD BE ABLE TO MAKE IT WORK.

AND COKE APPRECIATES HOW STRONG OUR TEAM IS. THEY MAY EVEN WANT OUR HELP BUILDING SOME OF THEIR NATURAL BRANDS.

KEEPING THOSE RELATIONSHIPS WITH COKE AS A PARTNER MAY BE A CHALLENGE, BUT I'M UP FOR IT.

DISCUSSIONS WITH OUR INVESTORS

WHAT DO YOU THINK ABOUT THE VALUATION?

ARE YOU SURE? JONES SODA IS SELLING AT 10 TIMES REVENUE.

THEY'RE NOT WORTH THAT. THEY WEREN'T WORTH 20 TIMES THREE MONTHS AGO. THEY AREN'T WORTH 10 TIMES NOW.

HERE'S A KEY LESSON I'VE LEARNED: PIGS GET FAT, HOGS GET SLAUGHTERED. DON'T BE A HOG.

YOU'VE GOTTEN A GREAT PRICE FOR THE COMPANY.

ONE YEAR LATER, THE STOCK MARKET CRASHED. JONES SODA'S GROWTH STALLED, AND THE VALUE OF THEIR COMPANY FELL FROM A PEAK OF \$828 MILLION DOWN TO \$7.9 MILLION. THAT IS NOT A TYPO.

MISSION IN A BOTTLE © 2013 BY SETH GOLDMAN AND BARRY NALEBUFF. ILLUSTRATED BY SUGYUN CHOI. REPRINTED WITH PERMISSION FROM CROWN BUSINESS/RANDOM HOUSE, INC.

SAVE THE BALD HEAD

Save all the things that make you unique. **GO YOU.** 

What's so wrong with the bald head? It's incredibly efficient. It can get out the door lickety-split in the morning. It's economical. No pesky barber bills. Or the need to buy gels. Or fancy shampoos. Furthermore, the bald head never has to worry about hat hair, helmet hair, just-got-out-of-bed hair, or bad hair days. Ever. And while society may see a flaw to fix (or in this case, comb-over), we see what you should embrace. It's just one of the many things that make you an amazingly, wonderfully unique creature. And being true to who you are is the first step in being truly healthy.

Always remember you're one of a kind. And at Cigna, we want to help you stay that way.

Tell us what you'd save at savethetrueyou.com and it could be in our next ad.

GO YOU  Cigna

UNDER THE TERMS OF THE PROPOSED DEAL, COKE AGREES TO PURCHASE 40 PERCENT OF HONEST TEA NOW, WITH AN OPTION TO ACQUIRE THE REMAINING SHARES IN THREE YEARS. THE BOARD, HOWEVER, FEARS WHAT WILL HAPPEN IF COKE DECIDES NOT TO EXERCISE ITS OPTION.



SETH AND BARRY MAKE THEIR DECISION.



IN 2011, COCA-COLA EXERCISED ITS OPTION AND ACQUIRED THE REMAINDER OF HONEST TEA. THE BEVERAGE IS NOW AVAILABLE IN MORE THAN 100,000 STORES—COMPARED WITH 15,000 IN 2008. SETH GOLDMAN CONTINUES TO RUN THE BUSINESS AS AN INDEPENDENT UNIT.

HOW I MET RICHARD BRANSON. AND DIDN'T DIE.



ALEXA VON TOBEL

CEO OF LEARNVEST, an online provider of financial-planning services based in New York City

Most people who know me know that Richard Branson is one of my idols. In 2011, one of our investors wrote me an email asking, "Are you sitting down?" He had helped get me invited to a four-day gathering on social entrepreneurship with Branson on Necker Island. I felt the way a little boy would if he were meeting a baseball star.

There were about a dozen of us who went down there. I was 27 at the time and the youngest one there. I didn't know how active Richard was going to be. It turned out he was present for all of it.

One day, a group of us went hiking on Mosquito Island, which is next to Necker. Branson had heard I was on the varsity diving team at Harvard. He pointed to a rock and said, "You can be the first to jump off of it." I'd dived off of a 10-meter platform before. This was probably 15 or 20 meters. And there were rocks underneath.

For a split second, I stood there wondering how I would tell my hero that he was out of his mind. Then I saw the smile spread over his face. I said, "This is crazy." And he said, "Yeah, I agree." Then we both started cracking up.

Something cool about meeting him was how playful he is. As a young entrepreneur, I'm always learning what kind of leader I want to be. Here was someone who had accomplished so much. And he wasn't intimidating. He was hilarious.

—AS TOLD TO ALEXANDRA STARR

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Carlos Hernandez
GE Customer Growth
Leader



imagination at work

THE REALISTIC LEADER

YOUR WORKFORCE CAN HANDLE THE TRUTH—AND RECOGNIZE HOLLOW PROMISES. SO RESIST THE TEMPTATION TO BE RELENTLESSLY UPBEAT



BY THE EDITORS OF BUILD,
IN COLLABORATION WITH GE CAPITAL

What do employees really want from company leaders? The answer may surprise you—and, more important, may prompt you to change some of your practices.

"I don't think the people who work for you want you to be an optimist anymore," says Jeff Immelt, CEO of GE. "They want you to be realistic. They don't want hollow promises, they want action: What's your plan, and how are you going to solve problems?"

The hallmarks of what Immelt calls "positive leadership" are authenticity, transparent communication, a focus on the future, and the ability to solve problems and take action.

Recent management studies support the idea that workers respond best not to cheerleading or a continuous stream of happy talk, but to evidence of a strong connection between words and deeds. Employees are much more likely to trust their imme-

diate supervisors than top corporate executives, according to global consulting firm Blessing White. Why? Because employees can match what managers say with what they do. That's more difficult to do given the layers of management that may separate them from top leaders, which makes it imperative that top leaders spell out specific actions the company will take, explain why, and offer proof that such actions have been taken.

Increase transparency, and make strategy clear

Spelling out those actions has to happen in public. At every level, therefore, realistic leaders do not hide in their offices, or try to soften difficult news, or turn a blind eye to difficult market conditions. Rather, they keep employees continuously informed about the current reality, and outline clear strategies for mitigating challenges. The best leaders turn troubles into a call to action for employees, reminding them that such times can be a chance for individuals to shine.

"Too many leaders forget the basic law of influence: A leader can exercise influence only if people are *willing to be influenced*," says leadership coach Kent Lineback. "Other than outright coercion, trust is the only way to create that willingness. No trust equals no influence equals no leadership."

As important as it is for a leader to communicate clearly with the entire employee population, there is an equally challenging, but often far more invisible, area in which communication can go awry: within the senior management team itself. Lack of alignment is an insidious disease, often hard to diagnose, and it can impede any individual leader's effort to perform at his or her best.

One of its most common causes is confusion around roles. This issue is particularly prevalent at fast-growing companies where many leaders start off doing a little bit of everything. As the business grows, it becomes increasingly necessary to distinguish one role from another in order to get optimal

performance. That means developing trust within the group so that executives feel free to let go of some responsibilities and concentrate on others, without feeling a sense of competition or a need to expand individual spheres of influence.

No executive is an island: The work you do to refine your leadership skills so that they are in sync with company strategy won't pay off unless

the leadership team itself is aligned and operating efficiently toward a common purpose.

If there is a single principle at the heart of great leadership, it's this: Create

clarity. The means of communication may change, the tenor of the message may change, and the areas to which you devote the most focus may change. But if you are always clear about the company's strategy, and if all levels of the company hear the same message and are aligned behind it, you can be confident that you are operating as an effective leader. Positively.

"No trust equals
no influence equals
no leadership."

Three simple steps on the road to positive leadership.

1 Assess your broadcasting skills.

Every day is an opportunity to share news—or avoid doing so. Looking at how you've disseminated company information in the past can offer useful clues for how to improve in the future. Review a recent development that could conceivably qualify as "news," be it financial performance or hiring plans or a refinement in strategy. What did you communicate when? To whom? Via what means? How did employees respond? The core question is, are you being as transparent as possible with employees?

2 Communicate a clearer sense of who you are.

Authentic leadership depends largely on being willing and able to show your human side. Whether you finally take the plunge on social media, initiate a small-group lunch series, or simply aim for more frequent chats with employees in the cafeteria, avoid the temptation to offer a predictable pep talk. Talk honestly about your decision-making process, the company's competitive position, and other relevant organizational issues. And be prepared to listen as well.

3 Test alignment within the senior team by asking a single question:

If we had a 5% increase in business, could your department handle it? This exercise will not only reveal the tactical steps that can be taken to prepare for growth (eliminating overlapping efforts, for example, or highlighting tasks that can be shifted to others), but will allow the entire senior team to have an honest, open discussion about the current realities the company must address.



How I Lived With Myself After Firing a Third of My Employees

C

HEEZBURGER WAS ALWAYS profitable—until we took venture capital investments. We raised \$30 million in 2011, and our company went from 45 to 90 people in nine months, and we started spending more than we were making. I was on vacation with my wife in Spain when I received our Q1 2013 numbers. They were much lower than expected. I did a call with my investors—from a parking lot in Puerto Real, the only place I could get good reception. Someone asked, “Can you keep the annual loss within 10 percent?”

I hung up and gave myself 48 hours to think. I decided to be proactive and make manageable cuts now versus Herculean ones later. The board did not ask for this—it was entirely my call. I called my executive team and said, “I’m coming back early.”

We knew we needed to scale back—same destination, smaller boat. I figured that I would be judged by the honesty with which I handled the situation. I knew people would be angry. But I also knew there was nothing I could do about that.

The morning of the layoffs, the executives informed their teams as a group and then met with each person individually to discuss retention or severance. It was very tense. To mitigate the risk of leaking information, I called John Cook, a local reporter who runs GeekWire, to let him know what was happening. I wanted him to hear it from me. A board member had suggested reaching out to other companies to help place employees, so two days later we held a job fair in the offices of one of our VC investors.

Twenty-four people were let go, bringing our head count to 42. It was the most difficult week I’ve ever experienced. Often, when faced with a problem, you want to run in the other direction. It’s like seeing a lion in the jungle. But I have to do what is best for the company, even if it sucks emotionally.

As told to **LIZ WELCH** Photograph by **JOHN KEATLEY**



BEN HUH
FOUNDER OF
CHEEZBURGER

An online comedy network that turned funny cat photos into an actual media business, with seven websites and more than 28 million monthly users



"I knew people would be angry. But I also knew there was nothing I could do about that."

HOW I TOOK SXSW TO A WHOLE NEW PLACE



ROLAND SWENSON

MANAGING DIRECTOR AND CO-FOUNDER OF SOUTH BY SOUTHWEST

⌚ This won't be the first time that SXSW has done an event outside of Austin. We did an event in St. Louis, and we launched NXNW in Portland, Oregon. But as SXSW has grown, our relationship with the city of Austin has become closer and more complex. By 2011, we wanted to learn how other cities work with large events, so we set up meetings with convention bureaus around the U.S. Out of that process, we met people from Las Vegas, who offered to help us launch an event there.

SXSW V2V will debut in August. Initially, we're going to focus on a program called Accelerator. It's kind of a contest for start-ups looking for investors, where they pitch to a jury of investors and business people, and after a couple of rounds, one is awarded winner.

Starting a new event is always risky. But we'll be bringing people from Austin as well as hiring locals to work the event. This is going to be the first time we're not restricted by how many places there are to stay or how many flights there are into town. We're not going to put much of a dent in Vegas initially. We're hoping for maybe 1,500 people, and we don't expect it to be a carbon copy of SXSW in Austin. Hopefully, it will meet different needs but have enough SXSW flavor to be familiar.

Does going to Vegas mean we've sold out? People have been complaining about that since 1990. Haters gonna hate. In my view, we've grown up. It's become more useful and more fun. —AS TOLD TO ADAM BLUESTEIN

PHOTOGRAPH BY JEFFREY M. HARRIS

HOW I SAVED THE SILVER HAWKS

W

HEN I BOUGHT the South Bend Silver Hawks—a Single-A team affiliated with the Arizona Diamondbacks—they had been losing money for years. I knew I had to create the best-ever ballpark to turn the team around.

At Berlin Packaging, we are big fans of the Net Promoter Score, which measures customer loyalty. You raise your NPS by looking at all the touch points in a customer relationship—are they positive or negative, and how can you improve them? When I took over the Silver Hawks, we did a survey and determined that our NPS was just 13—a dismal score. We got to work.

We looked at everything. As you walk from your car to the turnstile, what do you see? Is there someone there to help you? What is the attitude of the person who takes your ticket? Is he or she friendly? What do you smell when you walk into my stadium? Are the best-smelling foods right at the entrance? As you travel down the concourse, what do you see on the video monitors? We identified 36 touch points from the moment you arrive at the game to the moment you leave.

We started in March 2012, and by June, we were rocking and rolling. We worked with the city of South Bend to change street directions and signage to improve traffic flow. We added golf carts to bring seniors and overburdened parents from the lot to the turnstiles. We started spraying our mascot with cotton-candy-scented cologne. For the kids, we added playgrounds, three-story-high inflatable slides, and a giant splash pad with underwater jets and synchronized fiber-optic lights. For adults, we added a tiki bar.

At the end of our first season, attendance was up 68 percent. We saw triple-digit earnings growth. Our Net Promoter Score was 63. Unfortunately, in 2012, the team did poorly. The players are one thing I'm not in charge of. This year, we are doing much better. I always want the team to be in first place. But as a business owner, I care more about attendance.

As told to **LEIGH BUCHANAN** Photograph by **RYAN LOWRY**



ANDREW BERLIN
CHAIRMAN AND CEO
OF BERLIN PACKAGING

— A Chicago-based supplier of packaging materials —

— The Silver Hawks are based in South Bend, Indiana. —

WHAT HAPPENS WHEN

BIG FISH

meets small pond



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How I Fled Communism, Built a Company, and Turned My Product Into a Culinary Staple

I **STARTED MAKING** hot sauce when I worked in the kitchen in the Vietnamese army. After the war, my wife brought home a bottle of sauce made by an acquaintance of hers. I tasted it and said, "I can make something better than this."

My brother grew the peppers. I ground the peppers. My father-in-law washed the sauce containers—mostly reused Gerber baby-food

jars. People would resell the jars after they used them. Vietnam was Communist, but it was an enterprising place. People were always trying to figure out new things to sell.

Life had been growing more difficult under the Communist government. So in 1980, I came to Los Angeles. I had almost nothing. I named my company Huy Fong after the freighter that brought me to the United States, and I incorporated it in February 1980, just one month after I arrived. I started selling in markets in Los Angeles's Chinatown. I made \$1,000 in profit in my first month.

When you are running a business, people always have advice. An early customer told me the sauce was too hot, that I should change it. I refused. After the sauce began catching on, I started receiving offers to sell the company or take a private equity investment. I've turned them all down. This company is like a loved one to me. Why would I want to share it with someone else?

People have told me, too, that I should make different flavored sauces, like a spicy ketchup. I said no. It's best to keep it simple.

Now that the market for sriracha has been established, we have competitors. Some companies are bottling copycat sauces. Subway has introduced a creamy sriracha sauce for sandwiches, and Frito-Lay has a sriracha-flavored potato chip. I don't pay much attention. In a lot of ways, what I'm doing in the United States isn't that different than what I did in Vietnam. I just try to make the best sauce possible and keep prices low.

I'm amazed by the following we have. A few years ago, a customer sent a photograph of our sauce in the International Space Station, floating behind the astronauts. I blew up that picture and hung copies of it around our headquarters. I never envisioned something like that happening. I felt so proud.

As told to **ALEXANDRA STARR**



DAVID TRAN
FOUNDER OF
HUY FONG FOODS

— The Los Angeles manufacturer of America's most popular sriracha sauce—the one with the green bottle cap. Revenue hit some \$60 million last year. —

"In a lot of ways,
what I'm doing
in the United
States isn't that
different than
what I did in
Vietnam."

PHOTOGRAPH BY TONY

LEAD

HOW WE BECAME AN INTERNATIONAL INCIDENT

N

ORTH KOREA is the scariest country

in the world. I've been twice, to make documentaries, and I'm not allowed back because I was critical of the regime. But we wanted to see how the country was faring under its new leader.

Jason Mojica, a Vice producer, and I spent a lot of time talking about how to get in. I knew that basketball, and especially the Chicago Bulls, was a fascination within the country. I had some inroads with people I had met on my first trip, so we proposed a goodwill game of basketball with North Korea's national team. We offered to bring three Harlem Globetrotters and a real, live Chicago Bull. Michael Jordan's camp was not interested. Dennis Rodman was.

Now, Dennis Rodman is an absurd character. But North Korea is an absurd place. And to our surprise, it worked. The timing was tricky, because in December 2012, North Korea launched its missiles, which stirred up fears of nuclear disaster.

I was in Brooklyn when Jason called. The North Koreans had given Jason an Internet connection for about 20 minutes. He was like, "Uh, Kim Jong-un came to the game. Then he invited us over to his place for dinner." There was also some heavy drinking and singing.

I will say this: In retrospect, we should have thought, OK, what happens if Kim shows up? We should have had a message ready.

People were like, "Dennis Rodman? He's not a diplomat!" Of course he's not a diplomat—haven't you seen *Celebrity Rehab*? We weren't going over there to



ODD COUPLE Freelance diplomat Dennis Rodman enjoys some hoops with North Korea's Supreme Leader, Kim Jong-un.

solve world peace or whatever. We went there to try and get a camera into a place that doesn't have cameras. A lot of hypocrisy came out. My favorite was this guy from the State Department who called us and said, "Well, we would have hoped they would have taken the food from the banquet and given it to the starving people." You're like, OK, maybe Amnesty International can say that. But the State Department?

Who cares? Our brand, which used to be known only by Gen-Y, all of a sudden went out to a new demographic. People are fascinated by North Korea, and a lot of people who don't know Vice will see our documentary. We're not a company that goes and tells the same story that everyone else does. So that's what we did. We told a different story.

As told to **ERIC MARKOWITZ**



SHANE SMITH
CEO AND CO-FOUNDER
OF VICE MEDIA

A Brooklyn, New York, media company that operates a film production company, a marketing agency, a record label, and a weekly show on HBO. It has 1,100 employees worldwide and earned a reported \$175 million in revenue in 2012.

BUILT TO SUCCEED: STUDIO VELO



Building Business and Customer Loyalty

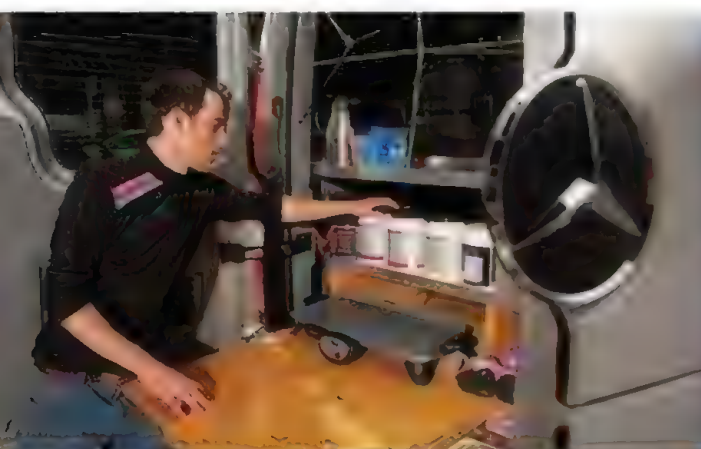
When Studio Velo, a high-end bicycle shop in Mill Valley, California, wanted to give its business a competitive edge, it created SV:Travel. "Our new division lets us offer our customers on-the-road travel adventures that create community, strengthen customer loyalty, and drive sales," says founder and owner Scott Penzarella. "And the focal point of that experience is our Studio Velo Sprinter."

The qualities and capabilities Sprinter provides Studio Velo are important to all its clients, but especially to those attempting their first long-distance rides. "From the moment you depart to the moment you arrive, the Studio Velo Sprinter becomes your home away from home. It's what you see from the distance, awaiting you at every turn. It's the safety blanket for our clients and our staff on a long, challenging ride down the California coast," Penzarella says. "Purchasing the Sprinter was far and away one of the best decisions we made in SV:Travel's first years of operation, not only for our business, but for the experience of our clients."

Mercedes-Benz Sprinter: My Sprinter, My Way

Studio Velo's Sprinter is built on a 2500 High Roof Passenger Van with 144-inch wheelbase, and it's routinely put through its paces on cycle adventures of one to four days duration in all kinds of conditions across a wide range of terrain. It's outfitted to please Penzarella's demanding clientele, sporting custom cabinetry, a full mobile kitchen for the professional chef who accompanies every trip, even a wireless hotspot. The front and rear receiver hitch mounts welded to the chassis support bike racks, equipment racks, and portable work stands, adding important practical advantages to the comfort and luxury features. On-the-road bike repairs and adjustments are handled with the same aplomb as the gourmet meals and café lattes are dispensed.

"The Sprinter provides comfortable seating for the long drive home and ample storage for gear and equipment," he says. "It easily tows our trailer with up to 14 bikes with incredible fuel efficiency, and its driving prowess over the long, windy roads we travel is unbelievable. In short, it does it all."



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How We Keep Instagram "Instagram-y"

SYSTROM: Before Instagram even launched, we would just go and go and go. We started around 9 or 10 in the morning and finished at 10. Sometimes, we'd be there until 3 or 4.

KRIEGER: We had two desks back then.

SYSTROM: Being scrappy hasn't changed much. We still stay here till 10 sometimes.

KRIEGER: We're pretty tightly packed in our new space, but we've made it feel like home. We brought some things that made our old office feel "Instagram-y." We have a huge wall of vintage cameras and old video recorders, just like our old office.

SYSTROM: We also just installed two big screens. We have CNN and MSNBC on throughout the day to follow breaking news, so we can search for representative photos to post on our blog—like demonstrations outside the Supreme Court, for instance. There are other things, like our bourbon collection. On Fridays after 4 p.m., you see people mosey on over to the bourbon case. We also kept our coffee-making station, where people do individual drip coffees. People really love their caffeine.

KRIEGER: For two and a half years, I was in the "doing" seat—writing code and building infrastructure. Now, it's about growing the team and making sure the

team is running well. At first, I was like, "Ah, I wish I was coding." But you can get so much more done once you imbue a whole team with a particular culture. It's an amazing feeling.

SYSTROM: If anything, work for me has become more complex and more nuanced.

KRIEGER: We also have access to Facebook's resources. If you notice, when you browse Facebook, there's basically no spam. As Instagram was growing, we were more and more a target of spammers. At the time, we had maybe six engineers, two of whom were available to work on this problem part time. So we asked Facebook for help. They put a team of 20-plus on it.

SYSTROM: I really hate the word *synergy*, but Facebook brings us to a level that we wouldn't have reached independently. And we have a lot of autonomy. We decide our road map, how we're going to change our product, whom we're going to hire. I see Mark [Zuckerberg] probably every other day. But it's like two founders talking, rather than reporting to your boss.

KRIEGER: I would read stories about how other companies were acquired, and it was like, "How do we make you look like us?" And things would fall apart. At Facebook, it's like, "How can I help? What can we learn from you?" **I**



MIKE KRIEGER (LEFT) AND KEVIN SYSTROM
CO-FOUNDERS OF INSTAGRAM

The photo-sharing site was acquired by Facebook in April 2012, for \$1 billion.

As told to **ERIC MARKOWITZ** Photograph by **CODY PICKENS**



"I see Mark [Zuckerberg]
probably every other day.
But it's like two founders
talking, rather than
reporting to your boss."

STYLING: SUZANNE B. JONES, L.A. / M.O.A. / JESSIE L. GOODMAN / ARTIST BY JESSIE L.

BUILDING HIS BRAND HIS WAY

The Holy Grail for many brands is landing shelf space with major retailers. Not for menswear designer **Brian Guttman**. His father's clothing business was beholden to department stores. So when he founded the label Jeremy Argyle, he vowed to sell at his own stores and website—and in four years, he has built a \$5 million business with a hot following. (Fellow entrepreneur Russell Simmons is a fan.) *Inc.*'s Jeff Haden talked to Guttman about the tradeoffs of going solo.

Photograph by **ROBERT WRIGHT**



I don't know many designers who wouldn't want to place their products in hundreds of stores.

Be careful what you wish for: You think you have an incredible opportunity—but the capital requirements and exposure to delayed receivables, markdowns, and chargebacks can put you out of business.

Big retailers pass the expense and exposure off to small brands. With the state of the economy and the unpredictable cash flow, it would be nearly impossible for businesses my size to survive.

What about the huge brand exposure you gain instantly?

True, but that can backfire in terms of brand equity. Once you place your goods in someone else's hands, you're at their mercy. They control the customer experience, not you. I wasted significant time and money early on hiring firms to help me launch the brand before realizing their goals didn't align with mine.

Couldn't you get more customer insight if you sold clothes nationwide instead of in two stores?

When you sell to stores' buyers, *they* become your customers. You start to focus on their needs, and pretty soon the product you create isn't in line with what the customer wants.

I know a lot of my customers by name, by face. I know what they like and don't like—that definitely informs our design process.

And speed to market can be an issue. Absolutely. Sell your own,

and you aren't forced to work on seasons. You can give customers a reason to keep visiting your stores and website.

That's why knowing our customers is so important. Ours don't like department stores and don't like to "shop." They want no-BS shopping: a little direction, no selling, in, out, boom.

So you're happy with growth that is slow rather than explosive?

I decided to grow Jeremy Argyle myself instead of hoping someone magically grows us. We're not alone; timepiece brands like Hublot and Audemars Piguet opened stores for a better brand experience and to capture more revenue per purchase.

I'd rather spend all my time living in my stores, talking to the people who wear and love our clothes. They'll help build our brand in a way a big box never will.

Brian Guttman's tips for keeping customers close:

1. KNOW YOUR TRUE CUSTOMERS.

Wholesalers, distributors, retailers, e-commerce partners—you may sell to them, but don't forget, the end user is your true customer

2. GO WHERE THEY LIVE.

Spend time every day on the floor, on the phone, or on your website; you can't respond to what you don't hear

3. EMBRACE THE VERTICAL.

Check in often with everyone else who's a key link in the customer chain: designers, suppliers, logistics crews, etc

4. PLANT YOUR FLAG, THEN ADAPT.

Your core concept should be a base for constant improvement. Make use of customer feedback and keep refining

5. MAKE CUSTOMER SATISFACTION YOUR VISION.

Design, especially self-indulgent design, isn't the ultimate destination; usability and customer satisfaction is

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Z130179



STREET SMARTS

Norm Brodsky

Everyone Fails. What's Key Is to Learn the Right Lessons

Once you see that failure is normal, you'll improve the odds of success

Dear Norm,
I am a serial entrepreneur in the food business. Over the past 11 years, I've started five pizzerias, a bakery, and a bagel shop. I opened my latest restaurant, a wood-burning pizzeria, last November. It ended up a spectacular failure. After four months of bleeding cash, I closed it down. The good news is that I have my other businesses to support me. Nevertheless, closing the business and losing the money hasn't been easy. How can I pick up the pieces and move on?

IAN GURFIELD, Madison, Wisconsin

WHEN I SPOKE to Ian, he explained that he had been wildly overoptimistic in his sales forecasts for his new place. Actual sales came in 35 percent below his most conservative projection. By the fourth month, he could see that it would take a long time and a lot more money to reach breakeven. Instead, he decided to cut his losses.

I asked him what lessons he took from the experience. He said the restaurant had been a "passion project." His other pizzerias sell takeout pizza by the slice. The new one was a sit-down restaurant featuring gourmet pies baked in a traditional wood-fired oven imported from Italy. He'd long dreamed of opening such a place, and when an ideal space for it became available, he jumped at the opportunity. The failure of the venture, he said, had taught him he should not let himself get so swept up in his passion for a project that he underestimates the risk involved.

Norm Brodsky is a veteran entrepreneur. His co-author is editor-at-large Bo Burlingham. They also are co-authors of *Street Smarts: An All-Purpose Tool Kit for Entrepreneurs*. Follow them on Twitter at @normbrodsky and @boburlingham.

I told him that was the wrong lesson.

In fact, Ian did nothing wrong. He started a business, and it failed. That happens. He was smarter than most entrepreneurs—including me—in that he got out early. When my first business, Perfect Courier, went bust in 1988, it took me three years to emerge from Chapter 11 and move on.

I told Ian not to be afraid of following his passions. Rather, he should realize that everything he touches is not going to succeed. That's a hard lesson for some entrepreneurs to learn, especially if they've known only success. But once you learn it, you can begin to take into account the possibility of failure when you try something new. When Perfect Courier went under, it was because I kept throwing good money after bad until I landed in bankruptcy court. My response was to resolve that henceforth, when I went into a new venture, I'd estimate the investment in advance and allow myself to go 25 percent beyond it but no further.

Ian's situation is different. He branched out in part because pizzerias had become old hat to him. He had grown so good at launching them that he couldn't get excited about doing another one. So he looked for a new challenge. If he'd considered the possibility of failure, he might have put off launching the restaurant of his dreams and instead spent his limited time and money expanding his chain of existing pizzerias. Once he'd built a substantial platform, he could have sold it or used it as a base to pursue new ventures.

That's the course I'd take if I were starting my entrepreneurial career today. I'd look for a business I could fully master. Then I'd keep replicating and expanding it until I had a platform large enough to support whatever else I wanted to do.

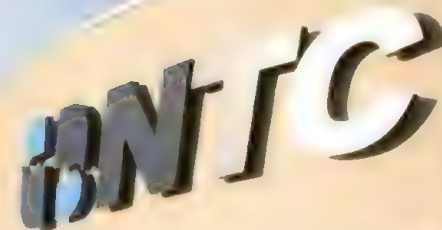
Ian has that opportunity in front of him. Whether or not he chooses to seize it, he can at least move forward with the knowledge that he's just received a valuable lesson. For that, he should be grateful.



SCAN THE PAGE TO SEE NORM ANSWER ANOTHER QUESTION FROM AN ENTREPRENEUR. (See page 12 for details.)
Do you have a question for Norm? Write to him at AskNorm@inc.com.

EVAN KARAKA

Nationwide Title Clearing **Why the Bubble Didn't Burst**

The NTC logo is displayed on the side of a modern, curved building with large glass windows. The logo consists of the letters 'NTC' in a bold, stylized font, with the 'N' and 'T' connected.

When the housing bubble burst, so, too, did the prospects for many companies in related fields. Growth became a fast-fading memory, and even survival was a challenge for some. But that has not been the case for Nationwide Title Clearing, which provides post-closing services for the residential mortgage industry. A commitment to excellence and innovation and critical support from Bank of America Merrill Lynch have helped the company continue to grow and create new jobs during a most difficult period for the real estate industry.

Between 2008 and 2011, NTC created more than 135 jobs and almost doubled its revenues, and it continues on the same kind of growth trajectory today. Todd Kugler, the company's CFO and a partial owner, says its paradigm-busting performance is "a testament to the initiative and drive of the NTC workforce" and a reflection of the innovative products and services it provides to the mortgage banking industry. Last year, for example, NTC was honored for its creation of PerfectChain, a reinvention of the mortgage assignment document process it developed in collaboration with the industry's leading mortgage lenders and servicers.

Solutions built for streamlining

Growth always brings challenges along with opportunities, and one that NTC faced was the increased possibility of fraud as its check volume almost tripled. "Bank of America Merrill Lynch proposed setting us up on Positive Pay and walked us through the process from start to finish, which eliminated possible fraud on 150,000 to 200,000 checks a month," Kugler says. "Bank of America Merrill Lynch also streamlined other needs, from paying via ACH and wires from my desk to

eliminating daily bank runs by setting us up with remote deposit." The changes save NTC time and provide faster access to funds, "which has helped tremendously with cash flow during our rapid expansion," he adds.

Just as important to Kugler is the relationship NTC has with Bank of America Merrill Lynch professionals, especially its main contact, Pamela Schumacher, VP, Senior Client Manager, and her team. "She regularly calls and asks how Bank

of America Merrill Lynch can help NTC, and we meet quarterly to review existing banking services and ways to streamline and improve any banking needs we might have," he says. "They know we want to run as economically and efficiently as possible. We've implemented many of the ideas they've suggested over the years, and that has helped us be successful and continue to provide excellent services to our clients."



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The redesign that revived Digg **PG. 78** Inside the million-dollar fake-Twitter-follower economy **PG. 88**

TECH

What
Works. What's
Next.



PG. **82**

"When we get to a critical mass, it becomes impossible to shut us down."

—TRAVIS KALANICK, founder and CEO of Uber, whose app is used to summon luxury sedans and taxis

DRIVE, HE SAID Travis Kalanick curbside in Miami. Uber is moving into new cities at a furious pace. Miami, however, is proving a tough nut to crack.

Blast From the Dot-Bomb Past

Same-day delivery services (think Webvan and Kozmo) crashed and burned in 2001. But a new crop of start-ups claims this time is different.



WHY IT MIGHT WORK

Today's GPS-enabled smartphones can track couriers and goods much more efficiently. More important, fleets of vehicles and professional drivers are no longer required. Start-ups such as Deliv and Postmates crowdsource that work to a pool of vetted part-time drivers. "That's the disruption," says Daphne Carmeli, CEO of Deliv, which is running a pilot in San Francisco and Chicago in which retailers foot the delivery bill. Postmates, in San Francisco, Seattle, and New York City, charges consumers \$6.99 and up for within-the-hour delivery.

WHY IT COULD FLOP... AGAIN

The competition is stiff: Amazon, Walmart, eBay, and Google all either are in the game already or will be soon. To survive, start-ups must deliver reliably (no easy task) at a price consumers will accept—\$5 to \$10, says Kris Bjorson, a retail expert at consulting firm Jones Lang LaSalle. —MINDA ZETLIN

COMPANY TO WATCH

Augmented Reality, No

KUDOS TO GOOGLE for devising a way to make the Web even more omnipresent—wear Google Glass, and you've got the Internet literally in your face. But what if you want to ditch the geeky glasses? PAR Works (stands for *precision augmented reality*) is on it. The Boston-based start-up uses 3-D modeling and the cloud to layer data accurately—down to a few millimeters—on top of real-time images and videos on your smartphone (and eventually on Glass). Virginia Tech professors Jules White and Mani Golparvar-Fard initially developed the technology to bring augmented reality to the construction industry: A builder could photograph a wall and see notes identifying quality problems. But PAR says the potential business opportunities are many. Imagine a car company offering pop-up tips for recharging your battery. Or a bar pitching deals to passersby. Data-overlay technology is not unique to PAR, but the start-up's app is one of the few that work on 3-D objects as well as 2-D. The image at right shows what a PAR user might see if she were to photograph a scene in Riga, Latvia. —M.Z.



The Future of Technology Is Here

—and thanks to Kickstarter, the crowd is funding it. Which project in each of these pairings is real and fully funded? —LINDSAY BLAKELY



1. TYPE-A NECESSITIES

- a. Plug-n-Plant: Electricity keeps it alive so you don't have to
- b. PhoneSoap: Charges and sanitizes your phone

2. A LITTLE PIECE OF STAR TREK

- a. SkyCube: Launch your own tiny, tweeting satellite into space
- b. Force Field: A frequency-emitting device that prevents hacks on your Wi-Fi network

High-Tech Glasses Required



The Pocket-Size Desktop Computer

Leave the laptop at home on your next trip. Shaped like a USB thumb drive, Dell's Project Ophelia plugs into the HDMI port of most high-definition screens and transforms them into secure Android computers. Get access to your apps and corporate server via a Wi-Fi connection to the cloud. A companion app turns an iOS, Android, or Windows 8 phone or tablet into a remote keyboard. Bonus: Think Angry Birds—on a 60-inch HDTV. Ophelia will probably cost \$50 to \$100 when it ships this summer.

—JOHN BRANDON



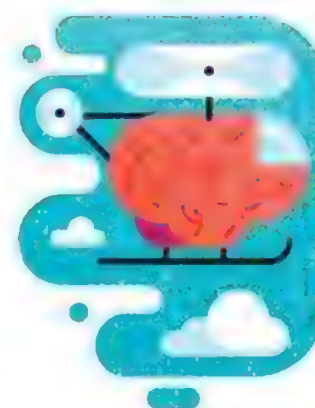
3. HIGH-TECH HEALTH

- a. Remee:
The sleep mask that lets you control your dreams
- b. Somnus Band:
A sleep-inducing, vibrating headband



4. FOOT FETISH

- a. SunShoe:
Solar-powered massaging shoes
- b. Stinky Footboard:
Play video games with your feet



5. NERD ALERT

- a. Project Hexapod:
A giant rideable walking robot
- b. Puzzlebox Orbit:
A brain-controlled helicopter

Answers: 1(b); 2(a); 3(a); 4(b); 5(a & b)

TESTED

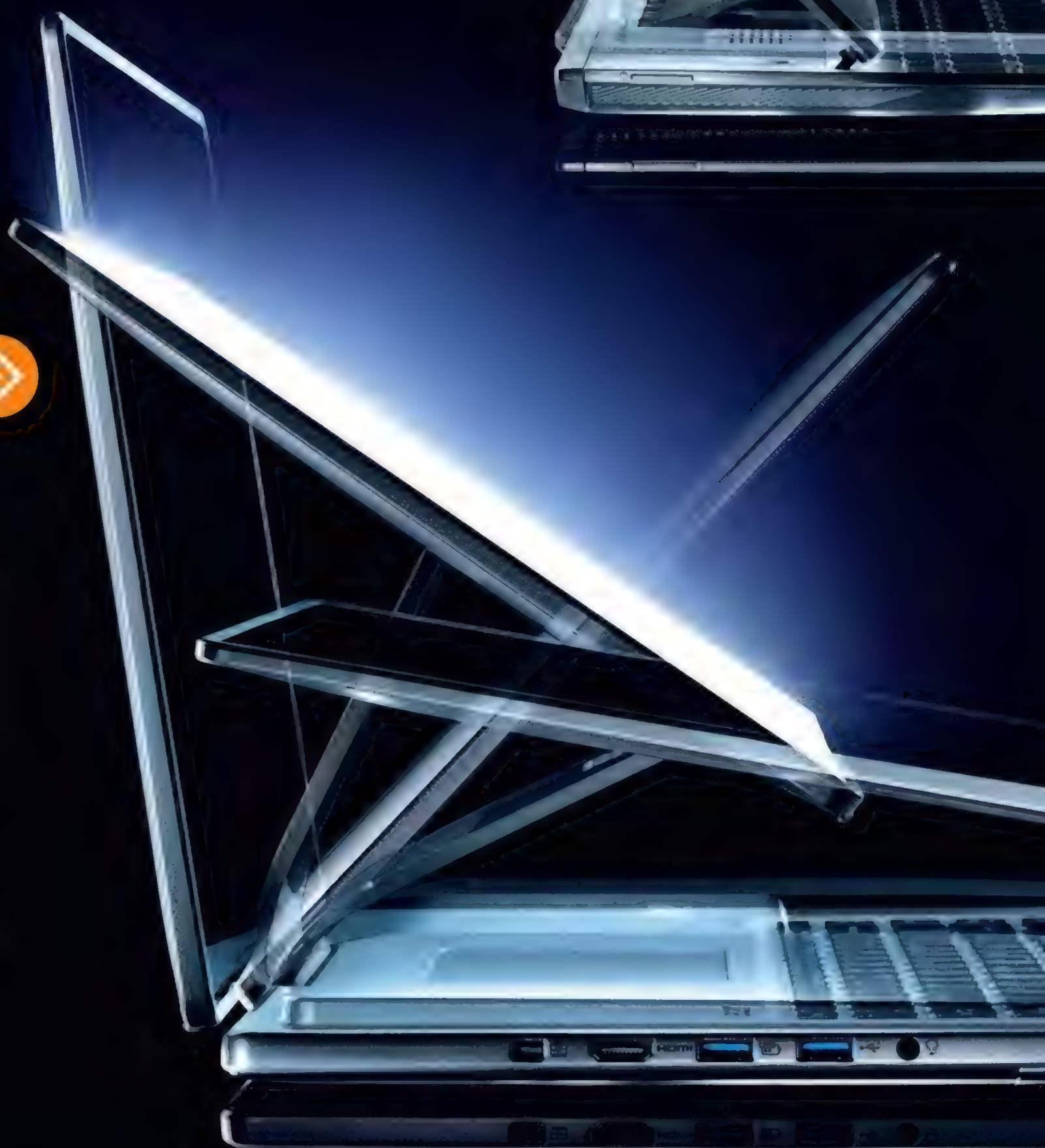
One Device to Rule Them All

PREFER THE MINIMALISM of a tablet but like the power and feel of a laptop? A convertible tab book has all of the above—and more. When you need to swipe through a presentation, you've got a tablet. Need to type a long document or edit a video? Flip it into a laptop. For the best of both worlds, the touchscreen slides in nearer the keyboard. We put the three leading U.S. tab books to the test. —JOHN BRANDON

PHOTOGRAPH BY TERU ONISHI

SONY VAIO DUO 11 ULTRABOOK

The 2.9-pound Windows 8 touch tablet easily converts to a tab book: The 11.6-inch screen flips up, revealing a responsive, backlit keyboard that has a small nub you can use as a mouse. A near-field communication chip syncs your smartphone securely. The Duo 11 we tested, which had a 2.4GHz processor and 8GB of RAM, took two seconds to wake from standby. The built-in speakers sounded a bit muffled. (Note: The forthcoming 13-inch model, pictured, was not available for review.)
Battery: About 4.75 hours
Cost: \$1,539



ACER ASPIRE R7 NOTEBOOK

Our favorite of the three, the 5.3-pound R7 lies flat like a tablet, folds into a Windows 8 touch laptop, and slides into Ezel mode via a hinge that tilts the screen even closer to the keyboard. The four 2-watt Dolby speakers were surprisingly loud. In laptop mode, there's a large but awkwardly placed track pad above the keyboard. The R7 runs on a 1.8GHz processor with 6GB of RAM. Waking from standby took eight seconds.

Battery: Up to five hours

Cost: \$999



Editor's pick:
**"The Acer R7 is
the ultimate
convertible
workhorse."**

—J.B.



MSI SLIDEBOOK S20

The lightest of the bunch, the 2.2-pound Slidebook has a flip-up screen that locks into place near the keyboard.

It gives you easy access to the responsive 11.6-inch touchscreen but takes some effort to slide. The keys are a bit small for fast typing. There is no track pad or nub.

The speakers sounded clear but not as loud as the R7's. Resuming from standby took three seconds. The Windows 8 device has a 1.8GHz processor and 8GB of RAM.

Battery: About six hours

Cost: \$1,199



Digg Makes a Comeback (Sort Of)

Inside the reincarnation of a former Web 2.0 phenomenon

BY JENNIFER ALSEVER PHOTOGRAPH BY SPENCER HEYFRON

IN ITS PRIME in early 2010, the social news-sharing website Digg drew more than 30 million unique visitors a month, prompting \$200 million buyout talks with Google. But after those talks fell apart, so did Digg: Executives left, redesigns failed, and the site's rabid fans drifted to other corners of the Internet. In June 2012, start-up incubator Betaworks decided to scoop up the brand for \$500,000 and promised to return the site to its former glory. Here's the story of the redesign that relaunched Digg—or at least the website that bears that name.

TOO MUCH CROWD, NOT ENOUGH WISDOM

Digg was started in 2004 with the goal of democratizing the news. Users (rather than editors) would “dig up” the most interesting and talked-about stories on the Web. Readers could then click on a Digg button to vote for the ones they liked; the stories with the most diggs landed on the site's front page. It quickly became one of the hottest examples of the then-new Web 2.0 concept of crowdsourcing.

But by the time Betaworks acquired Digg, the crowd—what was left of it—was unhappy. A poll revealed that 92 percent of remaining users would not recommend the site to friends. The Web's abundant postmortem analyses

THE NEW VOICE OF DIGG

David Weiner (far left) and his team (from left) Anna Dubenko, Ross Neumann, Josh Petri, and Veronica de Souza write headlines with sass.



“I wanted it to feel like you were reading along with someone you liked and wanted to get a beer with.”

—DAVID WEINER, Digg's editorial director

on Digg's demise made it clear that too many redesigns and too much mainstream news put users off.

The Betaworks team had its own theory—that giving users the power to run Digg also helped drive it into the ground. Spammers gamed the system by artificially inflating the diggs of a story. That brought stories of ever-poorer quality to the top, says Justin Van Slembrouck, design director for what became the new Digg. The comments on the site also became more mean-spirited, adds current Digg CEO Andrew McLaughlin. On top of it, Web dynamics had shifted dramatically since Digg's moment in the sun. Now most news conversations and sharing happen on Facebook and Twitter.

HEY, WE CAN FIX THAT

Betaworks saw a huge opportunity. The team knew how to create software fast—it had built nine companies in five years, including social-media properties Bitly and TweetDeck and personalized news service News.me, and invested in 72 others. It already had plans to build a social-news site down the road. But Betaworks didn't have a brand. Digg did—plus 11 million email addresses and one million Twitter followers.

"You don't get many opportunities to revive a dying tech brand," says Michael Young, founder of News.me and now Digg's CTO.

The only problem was, the team had just six weeks to do it. That's when Digg's data center contract expired. Taking over the \$200,000-plus monthly tab didn't make sense. In-

DIGG AGAINST DIGG

The site's new designer wanted sleek. A design-firm CEO and former Digg fanatic says looks don't matter. Below, the two duke it out.

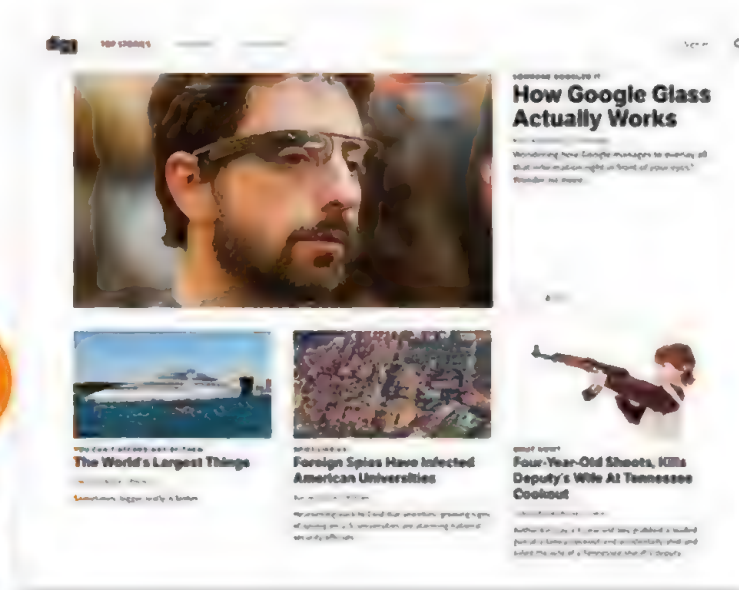


"Digg tried to do too much. The site was sliced and diced in so many ways."
—Digg designer JUSTIN VAN SLEMBROUCK

"I disagree. The old Digg made it really easy to filter by category. You could, for example, find all the popular funny images in the past 24 hours. I used it all the time." —KAREN McGRANE, CEO of Bond Art + Science

"The emphasis on Digg numbers led to too much gaming of the system. People artificially pumped up numbers to drive traffic to their site." —J.V.S.

"The value of the old Digg was that it was a participatory experience. For some people, being able to vote on content was important." —K.M.



"Our goal was to distill a noisy, cluttered Internet into calm and boil it down to 10 important things. To say, 'This is what you need to know.'" —J.V.S.

"The design is beautiful. But it's like they decided that what I want is an editorialized, stylized version of popular content from the Internet. If I wanted that, I would use Flipboard." —K.M.

"We downplayed the Digg button. Most of today's conversations happen elsewhere on the Web." —J.V.S.

"By doing this, they don't put me, as a user, in control." —K.M.

stead, Betaworks would build an entirely new site and house it on the cloud via Amazon stacks. Doing it fast meant designing a simple site. “That’s easier said than done,” says Van Slembrouck.

THE NOT-SO-SIMPLE PLAN

After Betaworks officially acquired the brand, the new team reached out to Digg’s founder, Kevin Rose, and early investor David Sze for their blessing. Initially, the two wanted to make sure Betaworks preserved Digg’s original mission. “But once we knew [Betaworks CEO John Borthwick] felt that same passion, we said, ‘Make it yours. You need to do what you need to do,’” says Sze, now a partner at Greylock Partners, a Silicon Valley VC firm.

The team sketched out an ambitious plan. When Van Slembrouck looked at Digg, he saw a cluttered, messy, and overwhelming site. The new site needed to be the opposite—simple and visual, with lots of photos. Most important—and

date on the fly with Facebook likes and tweets. A personalized Digg? Not enough time and too ambitious.

About three weeks to deadline, the team saw an even bigger flaw in the plan: Data alone would never suffice. “The design was very smart, but it lacked a voice,” Borthwick says. The new Digg needed a personality, which meant it needed humans to sift through the stories to make sure the right stuff rose to the top.

A few days later, David Weiner, formerly an editor at The Huffington Post, became the site’s editorial director. Digg, Weiner declared, needed a voice with sass. “You can’t get away with having a voiceless, soulless repository of information,” he says. “I wanted it to feel like you were reading along with someone you liked and wanted to get a beer with.”

Weiner hired three more editors and a fourth postlaunch. Using their own editorial judgment as well as social-media data, the editors would decide

the site delivered more than one million referrals to BuzzFeed’s publisher network of some 200 media sites—more than double the number it did prior to the relaunch. Referrals, McLaughlin says, are a much more relevant gauge of the redesign’s success.

Digg, it seemed, was back—but not the Digg diehard fans knew and loved.

Critics saw a redesign that threw out everything that had made Digg unique. Former users complained vehemently on Digg’s blog about the absence of comments, which had been the heart of the online community. And where was the breadth of stories that the average reader used to dig up? The homepage was full of mainstream news sources.

“What a self-delusion joke you’ve played on yourselves, Shame. Moving on, used to love this site when it was informative and useful,” wrote one commenter.

McLaughlin isn’t surprised. “It’s totally expected that some people will hate it,” he says. “We’ll keep trying to build and improve to appeal to as broad an audience as we can. But it’s definitely not for everyone.”

The question remains, Who *is* the new Digg for? And what is it, exactly?

“We’ll keep trying to build and improve to appeal to as broad an audience as we can. But it’s definitely not for everyone.”

—ANDREW McLAUGHLIN, Digg CEO

perhaps counterintuitive—the team decided to throw out the old crowdsourcing model of identifying top stories. Digg would no longer rely on, well, diggs. The team instead would look at what people liked on Facebook and retweeted on Twitter. That social-media data was Betaworks’s sweet spot, because its apps like Bitly and News.me told them what people were viewing online.

Armed with that data, the new Digg would come alive and change constantly. It could even be hyperpersonalized according to readers’ social network news feeds.

PLAN B (AND C)

It turns out some of those ideas worked far better on paper than they did in reality. The team wouldn’t be able to get the data fast enough for the site to up-

which tech stories, weird human-interest pieces, and scientific oddities would grace the homepage.

In the final two weeks before launch, the team whittled the site’s scope from numerous webpages with several sections to a single page.

WAIT. THIS IS DIGG?

The day of the launch, July 31, more than half a million people checked out the new Digg. They submitted 50,000 story links. So, was it a success? Depends on whom you’re asking and what you’re measuring. Third-party analytics firm Alexa reported that page views dropped significantly following the redesign. McLaughlin says that was to be expected: Digg went from a website of millions of pages created over the years to essentially a one-page site. In February 2013,

PLAN, UM, D?

Betaworks’s latest project offers an answer. For the past three months, the team has been racing to build a replacement for the news aggregator Google Reader, which was scheduled to shut down on July 1. The Digg Reader app, which will be integrated into Digg.com, will let readers follow their favorite news feeds. The move will complete the identity overhaul of the Digg brand. The messy, sometimes raucous online community that used to be Digg is dead; in its place is a clean and simple news app, brought to you by a staff of editors.

Given Digg’s history of alienating users with redesigns, Betaworks’s strategy of keeping the logo and rethinking everything else was bold. Then again, the old Digg had failed, and users were disgruntled. Why follow the wisdom of the crowd if most of the crowd has moved on?

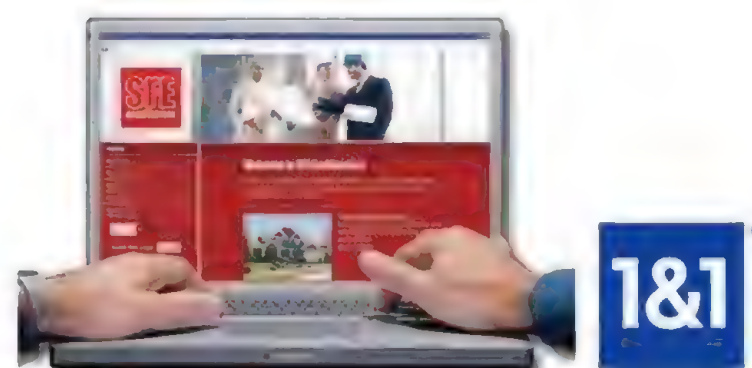
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THE ENGINE

Travis Kalanick is the high-RPM CEO of Uber. There are people who don't want to see him come to town.





Uber, the car service that is not a car service, knows that any time it moves into a new city, it will face a fight. That's fine. Fighting is good, winning is better, and explosive growth is best of all

Resistance is FUTILE

By **CHRISTINE LAGORIO**
Photograph by **JEFFERY SALTER**



TRAVIS? HE'S OUT by the pool." An Uber employee who smells like sunblock greets me as I enter the front door to the Miami beach bungalow the company is renting. She bounds upstairs as I meander toward the back of the house, poking my head into various rooms. There are signs of the dozen recent college grads stationed here: a bedding pile crumpled on a couch; a jumble of high heels in the foyer.

Three Cadillac Escalades are parked out front. Out back are parked four Uber employees and their MacBooks, on benches and chaises around the pool. It's T-minus two hours to the first Miami supersecret cocktail hour, a recruiting party for which planning began 48 hours earlier, and Travis Kalanick, the CEO of Uber, is calm. He has been in meetings all morning, but now he's in a T-shirt and sandals, just catching up on email and joking around. He asks me if I'm familiar with the words *jamazing* and *ledonk* and treats me to the UrbanDictionary.com definitions of each—the latter of which he boasts of having coined. When an employee whispers to Kalanick that an email promoting the party may

have been sent out to the company's "all-Miami" list, the mood suddenly tenses.

"No, no, no, no, no," Kalanick says. "What part of 'this is not public' do you not understand?"

I excuse myself and duck back inside the house. Two lanky managers in Uber-logoed sleeveless T-shirts are hunched over the dining-room table, where they are instructing two brawny older men in black suits.

Uber is the extremely fast-growing company behind an app that lets city dwellers hail taxis, sedans, and SUVs—like the ones parked out front. The company, which was co-founded by Kalanick just four years ago, is doubling its revenue every four months, has hired 225 people in the past year, and now operates in 35 cities. This group of Uber employees flew into Miami for 10 days in part for a work retreat, and in part to act as a kind of advance squad, whose duties include networking with hospitality workers, scouting venues, and recruiting Miami Uber drivers. Keith Radford, who in a normal week is the general manager for Uber's operations in Atlanta, is explaining to a potential driver that touching a button on the driver's iPhone labeled Arriving Now will alert his passenger, who has hailed him through the Uber app on her phone. Three minutes later, if the passenger hasn't hopped in, the driver should phone her. After 17 more minutes, he's to call again if she hasn't shown—and then cancel the ride.

"Wow," says the driver, Baldwin Clarke, a longtime private driver in Miami and owner of one of the shiny vehicles out front. "Sometimes, I sit for hours. One time, I sat for 15 hours, no kidding. You guys don't mess around."

Radford, Kalanick, and I climb into the Escalade of another potential driver and head toward downtown for the party. "If we were operating, this could be considered the first Uber ride in Miami history," Kalanick says, squinting out over the Atlantic Ocean.

That's if Uber were operating in Miami. But we are just taking a test drive on this January night, and all the drivers shuttling passengers to the Uber party this evening are being paid hourly by Uber to try out the app. Using it to find fares, and accepting payment for a ride through it, would be illegal. Kalanick is here to change that.

IN MOST MAJOR U.S. CITIES, and many around the world, there's an alternative to standing on a street corner flailing an arm for a taxi. Typically, this is phoning a local car service—or, within the past couple of years, opening an app on your phone. Open the Uber app, which was the first car-service app available in most U.S. cities, and you'll see a map of your location, replete with nearby vehicles for hire and their estimated times of arrival. One can usually reach you in five minutes, and the ride will carry a minimum cost of about \$7. But you can't do this in South Florida. Regulations in Miami-Dade County dictate that a car-service or limo ride must be booked at least 60 minutes before the ride begins and cost at least \$80. Unless the Miami-Dade County Commission changes the law, Uber

is locked out of a multihundred-million-dollar market.

As it expands, Uber often meets legal complications—cease-and-desist orders, court injunctions, the impounding of cars. Uber is no stranger to complaints from public utilities commissions, from city councils, and from taxi and limousine commissions, all of which have constituents clamoring for protection from the likes of Uber.

It used to be if a scrappy company tried to take on a local government, it might not have the heft to win. Uber, with \$50

Kalanick is so headstrong, so enthusiastic, and so combative, he is at risk of seeming like a parody of today's tech entrepreneur.



million in venture capital backing and a growth rate that rivals those of Google and Amazon in their early years, definitely has heft. It also has an aggressive culture and growth strategy set by a CEO who is so headstrong, so enthusiastic, and so combative in defense of his big idea that he is at risk of seeming like a parody of today's tech entrepreneur—up to and including having a thing for Ayn Rand. You hear a lot about tech companies shaking up staid industries, pushing past slow, complacent competitors. This is the next phase. This is Silicon Valley's cult of disruption taking on city hall.

Recently, some of the world's fastest-growing tech companies have been pushing ahead with their ideas without pausing to ask for permission. As a result, they're behaving in ways lawmakers aren't quite comfortable with. Consider that on your phone, you can purchase luggage (say, on Amazon), find someone to carry said luggage (TaskRabbit), rent an apartment for a couple of days (Airbnb), and hail a luxury sedan (you get the picture). But when the luggage retailer doesn't pay state sales tax, the employment provider doesn't pay minimum wage, the renter doesn't hold the lease, and the sedan driver doesn't charge a fixed rate? The government is pissed.

Uber started operations in its hometown of San Francisco, then opened for business in four more cities before rolling into the nation's capital—its sixth city launch—in December 2011.

Kalanick had assigned a launch team to explore potential regulatory hurdles in the district, and the team found what seemed to be clear skies. Kalanick hired a Washington, D.C., manager named Rachel Holt, who followed a launch strategy that had proved successful in other cities and is still the basic model. She managed a team that recruited drivers, in part through cold calling car services and limo companies. A separate team for community management started social-media outreach, and a post on Uber's blog announced that an Uber vehicle had been spotted in the district. Uber hosted a launch party for VIPs. The whole process took about six weeks, at the end of which Uber was fully operational.

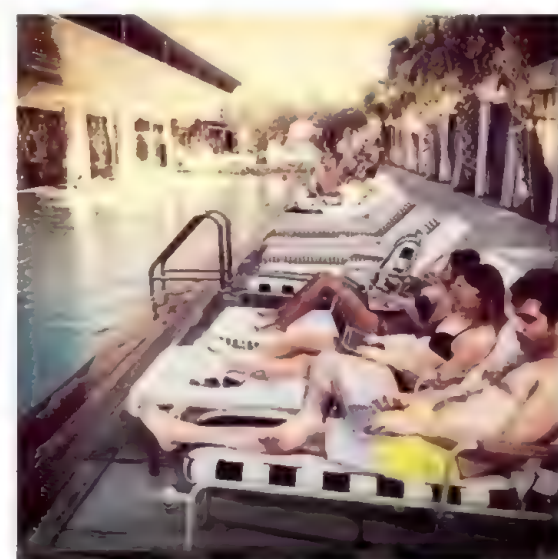
All was going as planned in Washington. "Until I got a call at 6 a.m. from Rachel a month later," Kalanick says. The city's taxi commissioner, Ron Linton, had an Uber car impounded and its driver ticketed. He said Uber was violating regulations by charg-

dispatch" in the district. It passed last winter.

These moves—the launch party, the hash tag—are straight from what everyone at Uber calls the playbook, a now-extensive collection of strategies for overcoming obstacles on the local level. After Uber launched in Chicago, the city's consumer protection board proposed regulations that would limit sedan drivers' use of metering devices—which in Uber's case is a smartphone. That would have essentially shut down Uber's black-car service there. So the company launched a social-media campaign. "What we did in Chicago, what we do in all these cities, is reach out to all of our users and say, take action—email your councilperson; email the mayor," Kalanick says. "Uber riders are the most affluent, influential people in their cities. When we get to a critical mass, it becomes impossible to shut us down."



UBERIANS AT THE GATES Scenes from Uber's exploratory probe into the Miami market. A dozen Uber employees were based here for 10 days in January. So, when will Miami fall?



ing fares based on time and distance—a privilege that, according to his reading of the regulations, was limited in D.C. to taxicabs. Uber was suddenly making national news. It did not, however, stop operating. Then, last summer, councilwoman Mary Cheh proposed a transportation bill that included what were literally called Uber Amendments, one of which would have put a price floor under car-service rides, effectively making Uber five times as expensive as a taxi for short trips. Uber came out swinging. It reached out to users asking for support. That drove 50,000 original emails and 37,000 tweets with the hash tag #UberDCLove. Cheh reversed, omitting the amendments Uber disliked. Then, she did more than that: She sponsored a nearly inverse piece of legislation that establishes a legal framework for "digital

Denver is a more recent test of the playbook. In January, Colorado's Public Utilities Commission proposed rules under which the company could be classified as a motor carrier—meaning it would be treated like a taxi company. This issue is at the core of many of Uber's regulatory challenges. That's because, city by city and state by state, transportation companies of all sorts—cab, sedan, limo—are heavily regulated in terms of the insurance they carry, the structure of their fares, the background screening of their drivers, and the condition of their vehicles. Uber neither owns vehicles nor employs drivers; it makes the technology that connects a user to a driver, one who is ostensibly already abiding by all these local regulations. As Kalanick often says, "They need to decide whether we are Orbitz or American Airlines."

To be classified as a transportation company would amputate from Uber the exact things that make it an exceptionally good business: its ability to scale fast, control how a rider pays, and not be bogged down by owning vehicles. For a court hearing in March on the PUC's proposed rules, Kalanick flew to Colorado, where Uber's team on the ground had already launched an online campaign

VROOM

Uber's growth, by the numbers

Employees: **300** Employees one year ago: **75**

Number of cities globally with Uber operations: **35**

Number of cities a year ago: **12**

Month-over-month revenue growth the past year: **18 percent**

(#UberDenverLove). After the daylong hearing, Kalanick hosted a nighttime rally, with drinks, for supporters at a local start-up education space called Galvanize. Uber is still doing battle in Denver. The Federal Trade Commission has weighed in against the PUC's proposed rules. Add a rally of ardent fans to the playbook.

In its political struggles, Uber's most potent weapon is its ability to present itself as a force for modernization and freedom and against bureaucrats and politically connected interests—and in broad strokes, that is an accurate picture. But it's not a complete picture, because Uber's competitors are in many cases other entrepreneurial businesses.

One major Uber opposition force is the Taxicab, Limousine & Paratransit Association, a global trade group of more than 1,000 livery fleets and taxi companies. The group scoffs at Uber's assertion that it can't be regulated like a taxicab or limo company because it doesn't own any cars or directly employ any drivers. The TLPA isn't against ride-hailing apps in general—it endorses one called Taxi Magic—but it characterizes Uber's product and

Kalanick got into a Twitter throwdown with a competitor. He got the last word with, "you've got a lot of catching up to do...#clone."

others as "rogue apps," and published a white paper by that name. Central to the complaint is Uber's surge-pricing system, whereby the price for rides rises as demand increases. So a ride home on New Year's Eve might cost you five times as much as a ride home on December 30.

Mike Fogarty, the CEO of limousine company Tristar Worldwide Chauffeur Service, which runs fleets in New York City, Boston, London, and Hong Kong, says the playing field is uneven. "Uber portrays the industry operators as companies that are entrenched and in bed with local officials," he says.

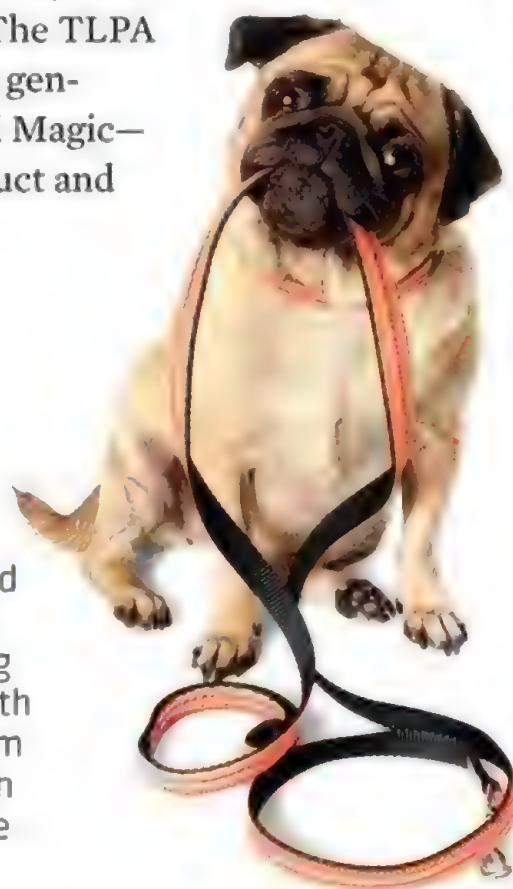
"We are small businesses. We don't have the money or the social-media clout that Uber does. We are the ones being bullied here."

KALANICK GREW UP in Los Angeles's Northridge neighborhood, learned to code in sixth grade, and continued on a technical track through college at UCLA until dropping out to work on his first company, called Scour. Scour was a sort of proto-Napster: a pioneer in file sharing. Media companies didn't exactly support that aim, and in 2000, Scour was sued for a quarter of a trillion dollars. The company declared Chapter 11. Next, Kalanick worked for years on a new company, Red Swoosh. He didn't pay himself a regular salary, and he lived at home with his mother. His lead investor, Mark Cuban, lost interest and asked for his money back. Eventually, however, Kalanick sold that company for \$19 million.

At 36, he still has a chip on his shoulder, and conversing with him is an entertaining—if challenging—exercise. Despite his sturdy self-confidence, he distrusts journalists and seems to be skeptical of strangers in general. He once told me by instant message that he had "1000 things more important to work on" than an interview with *Inc.*

He has developed a reputation for being aggressive, a tough negotiator, blunt, someone you really don't want to cross. In March, he got into a Twitter throwdown with John Zimmer, the co-founder of the ride-sharing service Lyft. Kalanick got the last word with, "you've got a lot of catching up to do... #clone." When quiet negotiations with city officials don't seem to be getting him anywhere, he has a tendency to lash out, often by implying that the people standing in his way are corrupt. Lawmakers, understandably, have bristled. The *Washington City Paper* wrote: "To see the way some D.C. councilmembers

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UBER FOR THAT**
Your dog-walking
solution



ROAD RACE

The taxi and limousine industry is worth \$11 billion a year in the United States alone, and the competition is fierce among companies creating technology that connects riders with drivers. The biggest players all seem to have something in common with Uber. And so do companies in some other industries.

COMPANY: HAILO

The twist: It's like Uber, but just for cabs
Signature move: Playing nice with municipalities; winning over cabdrivers

COMPANY: LYFT

The twist: It's like Uber, but the drivers aren't professionals
Signature move: Drivers fist-bump passengers; the cars have pink moustaches on the grilles

COMPANY: SIDECAR

The twist: It's like Uber, but the fares are technically donations, and the drivers aren't professionals

Signature move: Claiming the moral high ground—using Sidecar is all about easing carpooling and getting vehicles off the road

COMPANY: BLACKJET

The twist: It's like Uber, but for airplanes
Signature move: Welcome to 2013: You can book a private jet with your smartphone

COMPANY: SWIFTO

The twist: It's like Uber, but for dog walking
Signature move: Actually pitching the company as "Uber for dog walking"

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Your future.

Your legacy.

Your up all night long.

Your soundtrack.

Your passion.

Your reason for living.

We'll save your gift.

So it can keep on giving.

is saving your digital life
just the beginning?

absolutely

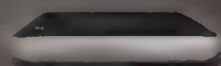
Save
Digital
Storage



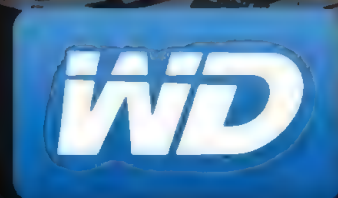
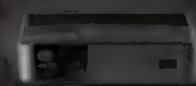
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Stream
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Enjoy
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Players



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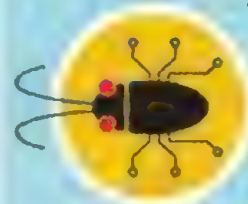
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THE FAKE-FOLLOWER FACTORY

Want 1,000,000 Twitter followers? Name your price. BY JUDITH OHIKUARE ILLUSTRATION BY HEADCASE DESIGN

ANYONE WHO HAS TRIED to establish a social-media following knows it's hard—sucking up time, energy, and maybe even thousands of dollars in marketing agency fees. Perhaps that's why so many people fake it. According to Italian security researchers Andrea Stroppa and Carlo De Micheli, the black market for phony Twitter accounts could be up to

\$360 million a year. Though most sellers operate behind the scenes, buyers can snap up cheap follower-bots—software that imitates a real Twitter user—on eBay and a few legit-feeling websites. Or they can tap the growing group of real people who sell follows. In this graphic, sellers cluster at the top of the page. Buyers are at the bottom.



WHOLESALE IN DARK CORNERS OF THE INTERNET, THEY PLY TOOLS TO OVERRIDE TWITTER'S RULES

- ✦ The nonsense words you're asked to type in a box to register an account are captchas, there to trip up robots. For \$1.39, a seller can download Death by Captcha's API and bypass 1,000 captchas.

- ✦ It's \$11.52 a month for bulk IP addresses from HideMyAss.com, so accounts appear to originate in different locations.

- ✦ Buy 500 verified Yahoo email addresses for \$5 from BulkAccounts.net.

INDIVIDUALS

THE LOW-TECH WAY: PAY REAL PEOPLE FOR FOLLOWS

Many of these sellers are based in China, where adoption of social media is increasing rapidly. "Real" fakes charge as little as 1 cent and as much as \$3 for each like, follow, or retweet. On one site, users with 100 to 3,000 followers can receive 13 cents for a retweet mentioning three friends.



SELLERS

THEY PREFER TO BE CALLED MARKETING EXPERTS

Many are legitimate-seeming companies with slick websites. Using the wholesalers' tools, they sell in bulk, hawking fake followers by the thousands. Sellers earn \$2 to \$30 for each account, depending on sophistication.

"Because social media is such a young market, a lot of people are trying to cheat the system."

—ROBERT WALLER, founder of StatusPeople, which created a tool that estimates fake followers

SECOND-TIER PLAYERS

SMALL FISH RELY ON BIG SELLERS' TOOLS

Big sellers not only hawk follower accounts but also sell software to smaller follower-creating firms. A software license costs \$999 to \$5,000, depending on the level of account customization, and includes free updates and support for one year.



FAKE-FOLLOWER MAGNETS

BIG TWITTER PRESENCE? BEWARE OF BOTS

To look legit, fake-follower accounts can be programmed to follow well known people or brands and can be a large share of their total followership.

Cameramaker GoPro
@GoPro

Coca-Cola
@CocaCola

@BarackObama



Twitter co-founder Evan Williams
@Ev



PUBLIC FIGURES LIVE AND DIE BY THEIR POPULARITY

Among those accused of buying a following: Justin Bieber and Kim Kardashian.

BUYERS

SWAPPING DOLLARS FOR FOLLOWERS

The average price for 1,000 Twitter followers from more than 30 websites is \$11.18. Five daily retweets might set you back \$9 per month. A package that includes delivery of 150 followers per month, PDF progress reports, real-time tracking, and 24/7 support runs \$19 per month.

SOURCES: BARRACUDA LABS, SOCIALBAKERS, STATUSPEOPLE, AND CARLO DE MICHELI



START-UP SCHOOL

Brad Feld

Surviving the Dark Nights of the Soul

The entrepreneurial life shouldn't be this way. Should it?

E

ARLIER THIS YEAR, two tech entrepreneurs, Aaron Swartz and Jody Sherman, committed suicide independently of each other. Both faced incredible pressures. And both suffered from depression.

It's not a topic the start-up community understands well. After all, this is the very culture that turned the chestnut "pick yourself up by your bootstraps" into a much-celebrated verb. Admitting you struggle with depression is like

admitting you can't reach your bootstraps. It's assumed that successful people can just "shake it off."

But that's not how it works.

I know. I've struggled with serious bouts of depression three times in my life. I'm not talking about a series of miserable days or struggling through the pressure and stress of a failing company. I'm talking about months of feeling emotionally drained.

My latest episode began in January and lifted only in May after months of feeling completely exhausted. In the fall, I was logging 80-plus-hour weeks on a regular basis, traveling most of the time,

trying to recover from a bike accident without taking any time off, and sleeping poorly. I wasn't running regularly, which is usually how I get time alone. And in an alarming health scare in October, I wound up in the hospital for surgery to remove a kidney stone.

By January, I had slipped into a deep depression. The joy went out of everything. I spent February through April prying myself out of bed, going through the motions at work, and just waiting to crawl back into bed again.

This is what depression feels like. I'm lucky in that I have an incredible wife, friends, and colleagues who gave me space and simply listened to me, without judgment. My depression eventually lifted, as it has twice before in my life.

With time, I've become more aware of how these cycles work. For one thing, I've noticed that often my most creative moments come on the heels of a depressive episode. I don't think this is a coincidence. Each time it happens, the days get lighter once I finally take steps to simplify my life. I make time and space to care for my mental health. I stop setting my alarm for 5 a.m. and let myself sleep until I wake up naturally. I observe digital Sabbaths in which I stop checking email, keeping up with the news online, and checking into Foursquare. I travel less. I read and run more.

In other words, I do all of the things that the prevailing start-up culture tries to squeeze out of my life. And as a result, I'm far more productive in the business of building and investing in companies.

I've heard from many fellow entrepreneurs and investors who have confessed to feeling the same way. Here's the rub: Failure has become OK—it's even a kind of street cred—as long as you can write the postmortem blog post about your heroic pivot. But depression carries a stigma. Most of the success stories we hear involve an entrepreneur who pushes himself beyond his physical and emotional limits. He's unbalanced—but in a good way.

My own experience has made me realize that this imbalance is no way to live the start-up life, and, in fact, it's detrimental to this kind of work. The only way I survive the dark periods is by constantly renewing myself and my perspective. Starting over is part of the process of starting up. That's something those in the entrepreneurial community should understand better than anyone else.

Brad Feld is an entrepreneur and the managing director of VC firm Foundry Group in Boulder, Colorado. He co-authored with his wife, Amy Batchelor, *Startup Life: Surviving and Thriving in a Relationship With an Entrepreneur*.

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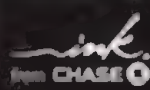
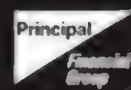
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102

"An early client described CrossFit as 'agony coupled with laughter.' Glassman liked that."

From "Do Not Cross CrossFit," the story of the \$100 million fitness company that does whatever the heck it wants



GE Sparks High-Tech Crowdsourcing Ideas

The megacorp partners with Quirky

TO SQUEEZE MORE VALUE out of its many patents, General Electric recently began sharing hundreds of them with Quirky, a New York City-based crowdsourcing site that has raised more than \$90 million in venture capital. With an online community of more than 500,000 inventors who develop products—and share in the profits—Quirky creates and sells many kitchen gadgets and electronic gizmos. (Its best-seller is a flexible power strip.) Some of the patented GE technologies that Quirky inventors will now be able to tap include fast-focusing optics, fleet-tracking technologies, and barrier coatings that help protect electronics from moisture. “One GE technology I am excited about is the dual cool jet,” says Ben Kaufman, Quirky’s founder and CEO. The technology, which GE developed to cool jet engines, could potentially be used to keep electronics from overheating. Of course, designing an innovative product doesn’t guarantee it will sell. Last year, Quirky teamed with GE on an innovation challenge. The winning idea, which Quirky users teamed up to develop, was a high-tech milk jug that texts you when your milk spoils. The product never made it to market (because consumers weren’t interested), but Kaufman is optimistic about what Quirky’s inventors will do with the GE technology. “We have Quirky community members who are engineers at NASA,” he says. “We’re trying to build an invention machine.” —APRIL DYKMAN

JUST OUT OF CURIOSITY

Since its 2010 launch, Q&A site Quora has used its \$61 million in VC funding to probe doozies like “What should everyone know about prison?” (It’s “overcrowded...yet it feels like the loneliest place,” writes an inmate at San Quentin.) Here are some of the site’s most popular questions. —RYAN UNDERWOOD

Q Which are some of the most epic photos ever taken?

Top answer: Apollo 8 photo of Earth taken from the moon



820,480 views

Q What are some interesting examples of photographs that show historical figures in unexpected places or company?

Top answer: A photo of Ronald Reagan in Russia. Next to him is a tourist the photographer claims is actually Vladimir Putin. 431,522 views

SPRINGWISE.COM
APOLLO 8 PHOTO: NASA
RONALD REAGAN IN RUSSIA: JEFFREY M. HARRIS

GLOBAL INNOVATORS

Headphones That Sense Your Mood, a Scooter in a Suitcase, and a Recliner That Gives You a Workout

Four world-class innovations from the trend spotters at Springwise.com



Different frequencies correspond to different moods. For instance, brainwaves from 8Hz to 12Hz are associated with relaxation.

After the MicroSense, your brain, an iPhone app, select a mood that goes along with your mood.

A Psychologist designed the MicroSense app, matching the mood to the activity, or you can choose the mood.

HEADPHONES THAT READ YOUR MIND

NEUROWEAR, JAPAN

Who needs playlists? Neuro-wear, based in Tokyo, is developing headphones that read your mind—and choose a song for you. The Mico headphones include a forehead sensor that measures electrical activity in your brain (different frequencies in the prefrontal cortex are associated with certain moods). The information is sent to an iPhone app, which then selects a music track for you. Neurowear debuted a prototype at this year's South by Southwest.

AN ARMCHAIR ROWING MACHINE

FRAUNHOFER-GESELLSCHAFT, GERMANY

Here's a recliner that doesn't let you kick back. Fraunhofer-Gesellschaft, based in Munich, created the GEWOS armchair, which transforms into a rowing machine. The goal? To help the elderly and immobile stay fit in their living rooms. The armrests raise to reveal rowing handles, and the chair is also decked

out with electronic sensors that monitor your pulse, blood pressure, and weight. The

name GEWOS stands for *Gesund Wohnen mit Stil*, or "healthy living in style."

A FOLDABLE SCOOTER

ANTRO, HUNGARY

There's no need to find a parking space for Moveo. The Vespa-like scooter, developed by Antro in Hungary, can be folded down and toted like a rolling suitcase. Made of a light carbon composite, Moveo weighs just 55 pounds. Antro designed the scooter for city use. A single charge of the electric motor will take the driver about 22 miles at a top speed of 28 mph.

A SUIT THAT BLOCKS CELL-PHONE RADIATION

SMUGGLER, FRANCE

This may be the world's most fashionable hazmat suit. Smuggler, a French menswear company, has designed a line of business suits that protect against cell-phone radiation. The suits contain a fabric—interwoven with nickel, stainless steel, and aluminum—that blocks up to 90 percent of electromagnetic waves. From now on, Smuggler plans to include the material, which took three years to develop, in all its suits.

Patagonia Spreads the Green—\$20 Million to Eco Start-ups

THE \$575 MILLION outdoor-clothing company Patagonia recently took on a new role: investor. In May, the Ventura, California-based business announced it was creating a \$20 million fund to invest in innovative start-ups in the areas of sustainable food, water, and energy. Yvon Chouinard, who founded Patagonia in 1973, has long been an advocate of environmental sustainability. Since 2002, his company has donated 1 percent of its annual sales to eco-friendly organizations. Patagonia also carefully tracks (and strives to reduce) its environmental footprint.

Recently, Chouinard began dabbling in sustainable fishing, too. Patagonia now sells salmon jerky—caught selectively, using



➤ **AGAINST THE STREAM** Patagonia's salmon jerky business uses sustainable fishing methods. Now, Patagonia is funding other innovative food companies.

methods that protect endangered fish. "Yvon has fished his whole life and has seen the damage done by industrialized fishing," says Rose Marcario, CEO of Patagonia Works, a new holding company that will manage the \$20 million fund. She has already been inundated with inquiries, including some from venture capital firms looking to co-invest. Marcario, who will spend the next several months vetting requests, expects to fund about five or six companies that support social and environmental causes. "Our planet is in ecological danger right now," she says. "People think business is partly to blame. But we think business can inspire solutions." —LIZ WELCH

Q What are the most surreal places one can ever visit?

Top answer: 1. The Hidden Beach in the Marieta Islands near Puerto Vallarta, Mexico; 2. Skaftafell, Iceland; 3. The Wave, Arizona; 4. Moraine Lake, Canada; 5. Berry Head Arch, Canada; 6. Uluru, Australia. **261,769 views**



Q Given our current technology and with proper training, would it be possible for someone to become Batman?

Top answer: "The simple answer is no... The genius of Batman is that it pretends to be realistic. It lets us convince ourselves that with enough money and training, we could become Batman, too." **196,479 views**

Q What is it like to always be the smartest person in the room?

Top answer: "It sucks. It means you are in the wrong room." **107,492 views**

INNOVATE

Predicting the Weather—Down to the Minute

The entrepreneurs behind Dark Sky, an app that tells you exactly when the rain will start

By **ERIC MARKOWITZ**

Adam Grossman, Jack Turner, and Jason LaPorte had an idea for a simple weather app, with one major twist. Instead of predicting weather by the day or week, their app would predict rainfall minute by minute—one hour into the future. Since launching Dark Sky, their Troy, New York-based company, in 2012, the co-founders have plenty of satisfied (and dry) customers. The \$4 app has been downloaded more than 100,000 times. Here's how it all started.

Getting Drenched on I-90

GROSSMAN: I was driving to Cleveland with my girlfriend to visit my family. We were on I-90 and stopped at a rest area to get some gas and food. When we were inside, it started pouring—just one of those summer thunderstorms that sneak up on you and start pouring buckets. We didn't want to go back to the car, because we would have gotten drenched. The question was, "When is this rain going to let up? Do we have to wait 10 minutes or an hour?"

I got out my iPhone and pulled up the weather. It didn't say when the rain would stop. It just said, "Forty percent chance of rain." I spent the next two weeks on my laptop trying to figure out how to pull in National Weather Service radar data to see if there was a way to solve this problem.

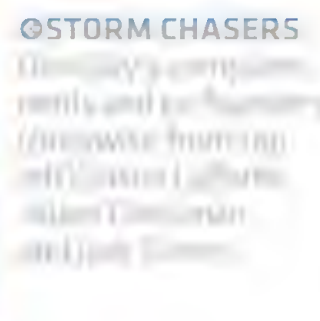
LAPORTE: When Adam told me about the idea, my first reaction was, "Wow, why isn't anyone else doing that?" It's something people wanted—even if they didn't know

they wanted it. In the popular consciousness, it was still very much a science-fiction sort of thing. You think of *Back to the Future*; they have this funny watch that tells you it's going to stop raining in five seconds.

We're Not Meteorologists. So, How Do We Do This?

GROSSMAN: In 2011, we did a Kickstarter and raised \$40,000—enough to create the app. None of our family or friends thought it would actually work. When you tell someone that you've created something that can predict the rain, they'll smile and nod. If it's your mom, she'll say, "That's great." But I don't think they thought it would work.

None of us are schooled in meteorology. We're computer nerds: I'm a Web developer, Jason studied computer science, and Jack makes weird computer art. So, the challenge was, OK, how do we do this? Conventional weather forecasting often involves physical models simulated using supercom-



STORM CHASERS Dark Sky's computer models and forecasting (clockwise from top left) Jason LaPorte, Adam Grossman, and Jack Turner.

puters. The atmosphere is modeled using fluid dynamics. Running these simulations is a slow process, which is fine for seven-day forecasts. But to make our short-term forecasts in real time, we had to take a different approach.

LAPORTE: We may not be well versed in meteorological methods, but we are well



NOON

Wow, it's really coming down out there! Stay put for the next 17 minutes.

12:15 P.M.

It's clearing up in two minutes. Quick, grab some lunch!



12:30 P.M.

Three minutes to make it back to the office before another downpour.

12:45 P.M.

More rain. At least for the next 42 minutes...

versed in computer methods. There are a lot of computer-vision algorithms and statistical algorithms you can use to predict how a storm is moving. I guess I would call them glorified cheats.

GROSSMAN: We rely on data from Doppler radar stations—there are more than 150 in the U.S. The raw radar data is from the National Weather Service. It's free. The U.S. kind of gleefully gives it out to everybody to see what they can do with it. We convert the Doppler data into images and then explore it in the same way a human meteorologist might.

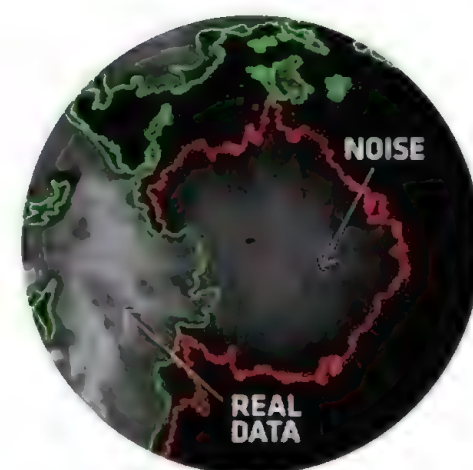
A trained person can look at a series of radar images and see how the storm is moving and evolving, which areas are increasing or decreasing in intensity, and where the rain is headed. We basically simulate this process, using algorithms. Because it's automated, we can watch millions of square miles simultaneously and in real time.

People Love Us—the Weathermen, Not So Much

LAPORTE: Meteorologists? Yeah, they don't like us very much.

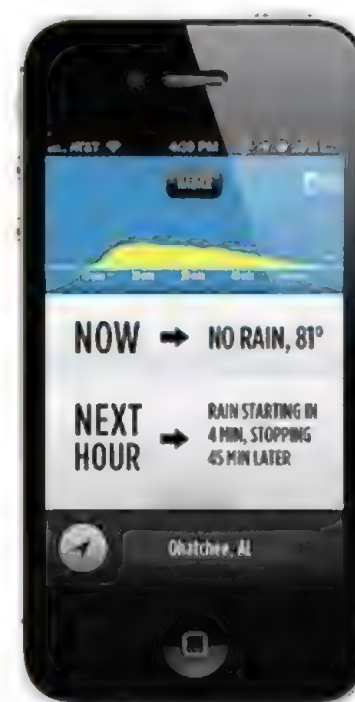
GROSSMAN: Well, they're sort of split into two camps. There are the meteorologists that think Dark Sky's really cool and want to understand how it works. Then there's the other camp, which really doesn't like what we're doing. Meteorologists know a lot more about the weather than we do, so it's useful to hear what they have to say.

When we're not in foul moods, we take the time to explain how our technology works. We say, "We take a statistical approach, not a physical-modeling approach—and here are the upsides and the downsides." Our algorithms really work only up to an hour in advance. Beyond that, you really need a physical model to figure out what's happening. The downside to a physical model is that it's impractical. You'd need a supercomputer cluster to run that.



READING RADAR INTELLIGENTLY

Dark Sky picks up a lot of noise from birds and clouds that can interfere with forecasting. Dark Sky's algorithm identifies and removes the noise, generating precise forecasts.



FLASH FORECAST

A new algorithm called Flash Forecast uses machine learning to predict rain starting in 4 minutes and stopping 45 minutes later.

Building a Weather Brand

GROSSMAN: Recently, we launched a full-featured online weather service, Forecast.io. It's our answer to Weather.com, AccuWeather, and Weather Underground.

LAPORTE: People are happy to switch to it. It doesn't smother you with ads or news stories. It's getting 70,000 new users a day. You can tell how many intense weather systems there are because it mirrors how many users we have on our site.

GROSSMAN: Right now, we're still paying the bills with sales of Dark Sky. The reaction from customers has been phenomenal. Last summer, I was sitting on the banks of Lake Erie next to a little kid and his dad. I saw on my phone that it would rain. I told the kid, "It's going to rain in exactly six minutes." He laughed. Exactly six minutes later, the drops started falling. The kid's eyes lit up. He asked, "How did you do that?" I looked at him and said, "I'm from the future."

UH, CHECK, PLEASE! HELLO?

I asked you, the readers of *Inc.*, to solve the problem of waiting for the check

By **CAL McALLISTER** Photograph by **JOHN KEATLEY**

BY MY HUMBLE estimation, we business types waste a gazillion hours a year waiting for the check after business lunches. That's a ton of money in billable hours. Your waiter doesn't want to be rude and throw it down early. But then it's hard to find him when it's time to get back to work. What could we do that would work universally and cost a restaurant little or nothing to implement?

When I posed this question to *Inc.* readers online, the ideas came flowing in. Many of you took the technological approach: There were apps to let you pay when you're ready to go, tables with built-in iPads, pagers for the wait staff, that sort of stuff. All viable but potentially pricey. One popular—and inexpensive—solution I liked was a take on churrascaria, the Brazilian steakhouse model, which involves a red-and-green card that customers flip over as a signal to waiters. (Green means, "Keep the meat coming." Red means, "I give! Make it stop!") Some of my favorite ideas took that concept a step further.

Cal McAllister is co-founder and CEO of Wexley School for Girls, a Seattle ad agency.



#1 CLEVER CARDS

Lisa Brack, Easton, Maryland

Purchase a cardholder for each table and use card stock to make signs. One side would say, "Welcome" (or a Chuck Norris joke, dumbest quote by a famous person, etc.). The other side would say, "Check, please!" and list the table number. The customer turns the card over when he or she is ready for the check. The managers and wait staff could always keep an eye out for those "Check, please!" cards.

CAL

Not only does this solve the problem, but it lets the restaurant express its brand personality. Plus, the cards are very cheap to implement and could be used to advertise specials.



#2 COLORED NAPKINS

Sheena Lee, Fairfax, Virginia

Restaurants could have bright-colored cloth napkins that contrast with the color of the tablecloth. The universal sign of being finished with a meal is to leave your napkins on the table, so the bright colors would provide a visual cue for the wait staff that customers are ready for their check.

CAL

This idea is both simple and relevant to business class. (If you're going to restaurants without napkins, you probably already paid for lunch right after you said, "Supersize it!") It might also be fun to give only one person at the table a colored napkin and charge him or her with the responsibility of waving the flag to summon the check.





Ⓢ **WAITING TABLES** Those lost minutes Cal McAllister spent chasing down his check from the horribly inattentive (yet devilishly good-looking) waiter just cost his company big bucks.

#3

TIME SLOTS

Shruti Akipeddi, New Delhi, India

Similar to hotels, restaurants could have a fixed checkout time. During the three-hour window when lunch is served, customers choose from three options: 20 minutes, 40 minutes, and an hour. The restaurant would come up with a fixed menu for each time slot. The 20-minute slot will have a quick bite, the 40-minute slot will have one more dish, and so on. That way,

maximum time is spent on enjoying the food and not on deciding what to order. Customers will be served the bill 10 minutes before their time slot ends, to give them time to settle up. I think this schedule would create a more relaxing lunchtime for the customer, because many decisions are eliminated. And the restaurant will be able to handle more customers and minimize customer waiting.



CAL

The problem got turned on its head with this offbeat prix-fixe approach to the business lunch. Sure, this system could be tricky to implement—and not all customers will like the idea of dining with a time limit—but it sounds like fun to me.

Inc.com

Want to participate in Cal's next challenge? Go to www.inc.com/challenge. We'll publish the best ideas in an upcoming issue.

The Greenest Office Building

TALK ABOUT A HARD-WORKING OFFICE. The Bullitt Center, a 50,000-square-foot Seattle office space that opened in April, can generate its own water and electricity. Because of this and the building's other innovative features—sustainable materials, energy-efficient technology, and composting toilets—it has been dubbed the world's greenest office building. It took 16 months to construct the \$30 million building, which was funded by the Bullitt Foundation, a local environmental organization. But the idea has been in the works since 2008. The project required a lot of help from local officials, says Chris Rogers, CEO of Point32, the building's developer. For instance, the capture of rainwater for potable use isn't legal in a commercial setting. (Lawmakers are working on that.) One of the project's most ambitious goals? Meeting the tough standards of the Living Building Challenge, which requires that a structure be effectively energy self-sufficient for 12 continuous months. —SHIVANI VORA

ILLUSTRATION by JAMES PROVOST

✚ THE SHAPE

The idea behind the narrow structure, which places every worker no more than 30 feet from the oversize windows, was to maximize natural light and reduce the need for electrical lighting.

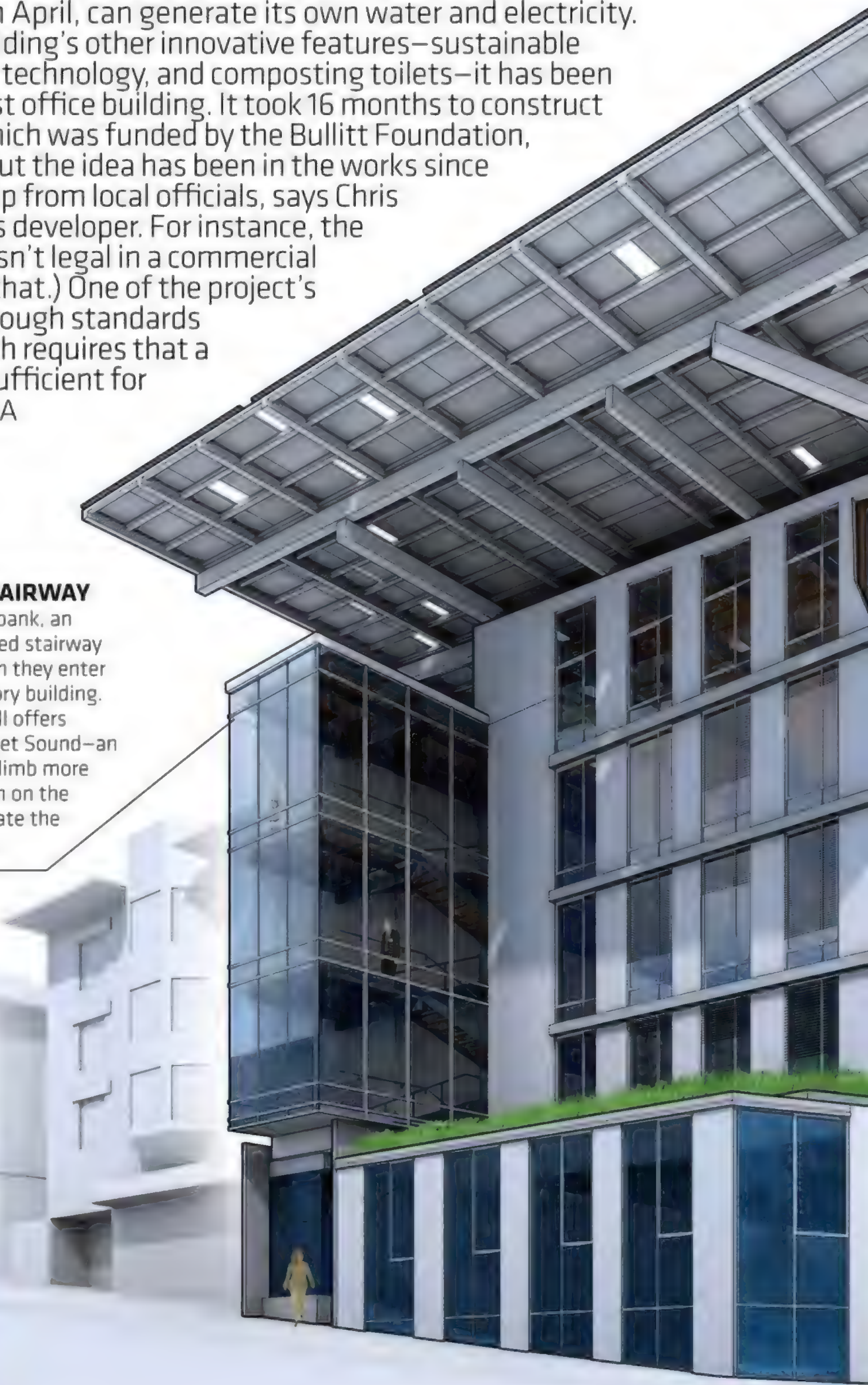
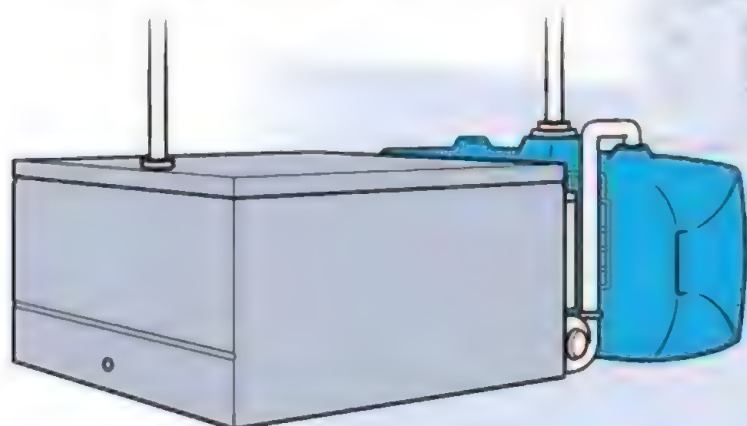
GLASS-WALLED STAIRWAY

Instead of an elevator bank, an attractive glass-enclosed stairway greets employees when they enter the lobby of the six-story building. The light-filled stairwell offers incredible views of Puget Sound—an attempt to make the climb more enjoyable and cut down on the energy needed to operate the building's one elevator.



RAINWATER CISTERN

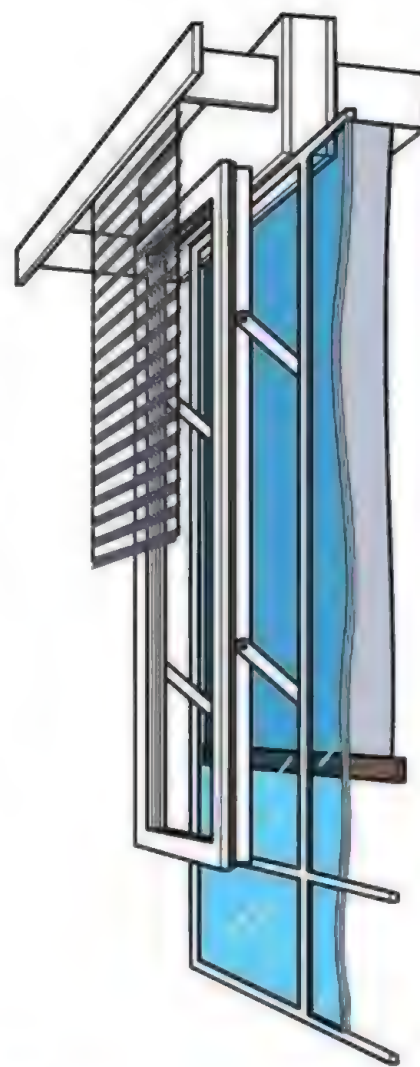
Rainwater drains from the roof into a 56,000-gallon cistern in the building's basement. The rainwater, which is intended to eventually be the building's primary water source, goes through an elaborate process to make it potable: It is ultrafiltered, passed under ultraviolet light, mixed with a small amount of chlorine, and then filtered again through charcoal.



in the World

SOLAR-PANELED ROOFTOP

Some 14,000 square feet of photovoltaic panels cover the roof (and beyond). Though the Bullitt Center is wired to the grid, the panels can generate 240,000 kilowatt-hours of electricity per year, more than the building uses.



AUTOMATED WINDOWS

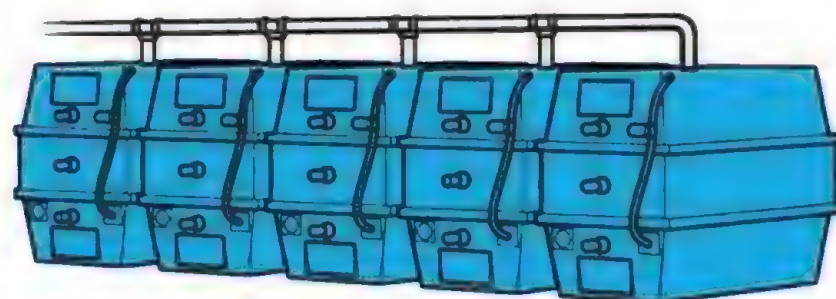
An automated system opens the windows in the evenings and lowers shades in the mornings to help cool the building. The triple-pane windows open straight out—parallel to the building—which helps create a tighter seal when they're closed.

THE MATERIALS

When choosing building materials, developers vetted more than 1,300 products to reduce or eliminate the use of toxic chemicals. The liquid-applied air barrier, for example, which keeps warm air in and cold air out in the winter, was reformulated by the manufacturer to be phthalate free.

TIMBER-FRAME CONSTRUCTION

The building's frame is primarily made from sustainable wood sourced from Washington, Oregon, and Idaho. It's the first office space in the country that is FSC certified, a designation given by the international nonprofit Forest Stewardship Council, which promotes responsible management of the world's forests.



COMPOSTING TOILETS

After a flush, waste travels down to 10 composting units in the basement, where it is mixed with wood shavings and eventually turned into fertilizer. (The units are emptied once a month.) This is the first time composting toilets have been used in a commercial office building of this size.

DO NOT CROSS CROSSFIT

**GREG GLASSMAN'S ESSENTIAL BUSINESS
OUTLOOK IS THIS: HE CAN DO WHATEVER THE HELL
HE WANTS TO. WHAT HE WANTS TO DO RIGHT NOW
IS PROTECT THE BRAND OF CROSSFIT,
HIS EXTRAORDINARY FITNESS COMPANY**

BY BURT HELM

PHOTOGRAPHS BY ANDREW HETHERINGTON



IN THAT SPRING DAY across America, the CrossFit faithful gathered—and toiled. There were hundreds of thousands of them, certainly. Maybe a million, maybe two. In an old industrial facility in New Orleans, they hoisted themselves on gymnastic rings and did dips up there. In a strip mall in Santa Cruz, California, they threw 20-pound medicine balls against a wall over and over again. In a business park near the Dulles airport in Virginia, they pushed weighted barbells above their heads, first once a minute, and then as fast as they could for three minutes straight—or until they couldn't lift their arms.

Meanwhile, in a bar called El Borracho, the king of CrossFit finished his tacos and ordered a second margarita.

He was in Seattle on business. The calendar that morning said Thursday, but Glassman's gut said the mall, and the day had meandered from there. He had bought himself and his pilot new blaze-orange parkas at Mountain Hardwear, and taken his girlfriend to Tiffany's to buy her a diamond pendant for her birthday. At first, the Tiffany's staff had eyed him suspiciously: With his faded jeans, his parka, and the backward red baseball cap over his scraggly wisps of gray hair, the 56-year-old looked as if he had wandered in from a tailgate party somewhere or might whip out a hammer for a smash-and-grab. But then, it turned out the saleswoman was one of them. Her sinewy body should have been a giveaway. "Greg Glassman!" she said, looking at his credit card. "My husband was with you last night!"

Glassman is getting used to this kind of surprised recognition. The man who invented the WOD, the world's most beautifully addictive workout, doesn't look like a paragon of clean living. He doesn't look like a



SCAN THE PAGE TO SEE CROSSFITTERS SWEAT AT A GYM IN BROOKLYN, NEW YORK. (See page 12 for details.)



← **THE GODFATHER**
Greg Glassman,
inventor of the CrossFit
fitness system and sole
owner of CrossFit, at an
affiliate gym in New York City

paragon of anything. But then, Glassman enjoys defying conventional notions of good sense and good taste and good practice. And yet the business succeeds. So far, phenomenally.

The night before, he had rolled up with his entourage about 20 minutes late to a packed lecture hall of 500 CrossFitters at the University of Washington campus. He had been invited to speak there by the Freedom Foundation, a local libertarian group. Libertarians love CrossFit. It's neither a wholly owned chain of gyms nor a franchise, but the nucleus of a sprawling worldwide network of entrepreneurs. A local CrossFit gym is referred to as a box, because it can be anywhere and any style, and the culture of any box may be nothing like that of Glassman's company, or of any other CrossFit box. Boxes may even have different business models. And yet, there in the audience was the order spawned from the chaos: rows and rows of passionate CrossFitters, united in their love of the WOD, their muscled physiques rippling beneath T-shirts and hoodies.

In his gruff way, Glassman recounted his story for the faithful: how a novel, exquisitely punishing system of exercise he had designed, centered on the WOD (workout of the day; it's pronounced "wad"), had started in his backwater Santa Cruz gym, then turned into an online phenomenon, then paved the way for 6,775 CrossFit locations (soon to be 10,000), and now was fast becoming its own sport. (This month, the finals of the CrossFit Games will be broadcast live on ESPN2.) He explained the contrarian way he thinks about the CrossFit business (he shuns most new sources of revenue) and how he goes about protecting its brand (viciously).

But the truth is—and this is apparent to anyone watching Glassman wile away an afternoon at El Borracho—that CrossFit's success doesn't derive from any conventional business strategy. Glassman doesn't behave the way he's supposed to. Sometimes he rebels out of cunning, other times for the sheer petulant fun of it. Often, it's hard to tell which. As a result, CrossFit is a workout and a company no conventional trainer or M.B.A. would ever have built. Glassman is sitting atop a firecracker of a

company. And the relevant question is, as always, What's he going to do now?

Glassman grew up in Woodland Hills, a suburb of Los Angeles in the San Fernando Valley. In the Glassman household, education trumped everything. Glassman's father was a rocket scientist at Hughes Aircraft and an all-around hard-ass who lorded math and the scientific method over Glassman, his younger sister, and their stay-at-home mom. Arguments with the old man inevitably required data sets, says Glassman—"Any point you made had to be measurable, repeatable"—and Glassman clashed with his dad frequently.

Glassman escaped into athletics and fell in love with gymnastics (the source, he says, of his pronounced limp), weight-

ABSOLUTELY RIPPED CrossFit, by the numbers

2012 REVENUE
\$50 million

2013 REVENUE (PROJECTED)
\$100 million

AFFILIATE LOCATIONS
6,775

AFFILIATE LOCATIONS
BY END OF 2013 (PROJECTED)
10,000

ENTRANTS TO PRELIMINARY ROUND
OF 2013 CROSSFIT GAMES
138,121

NUMBER OF SIX-PACKS CREATED
**It's not about vanity,
bro. (CrossFit gyms
don't have mirrors.)**



lifting, and cycling. After dropping out of several colleges and junior colleges, Glassman began working in fitness full time, as a personal trainer at local gyms.

He developed wacky routines: He had clients race their way through repetitions on a weight machine, and at one facility, he had them scramble up a 30-foot column in the middle of the room. Eventually, the owner of that gym welded disks to the pole to make him stop. "They added a hazard 15 feet up," Glassman cracked to clients, before signaling them to go up anyway. He got

kicked out of that gym. He got kicked out of several gyms. "I've never wanted to be told what to do," Glassman says. "I think it's genetic."

In 1995, as Glassman was burning the last of his bridges at local gyms, he got a call from a friend who worked at the sheriff's department in Santa Cruz. The department had heard about him and wanted him to train officers. Glassman, who was in the middle of a breakup with a longtime girlfriend, decided to go. He set up shop in a health center called Spa Fitness and taught his own brand of fitness training, which he had begun calling CrossFit, to officers and anyone else looking to buy 60 minutes of sweat.

The Santa Cruz mornings and evenings became packed with fitness clients. The stretch of day in between grew into a time of study and reflection. He had a friend bring in printouts of fitness articles the friend had found using his newfangled Internet connection. "I went through thousands of pages like that," says Glassman. "When I finally got a computer, there was nothing on the Web on fitness I hadn't already seen."

Glassman began refining his approach. He favored gymnastic and powerlifting moves he knew from growing up, and functional calisthenics (squatting, pull-ups) that forced the body to use large muscle groups together, like in real life. He liked the idea of throwing exercises at clients seemingly randomly, believing it resembled the way early humans had to overcome daily physical obstacles. To goose participants' natural competitiveness, he mandated that the workouts be for time, or for as many rounds or reps as possible in a set time period, so that no one slacked off.

Glassman attracted a little flock. "I was looking for a trainer, and a friend of my wife's went to Spa Fitness," says Ben Elizer, who today is CrossFit's chief information officer. He went to Spa Fitness and was told he had his pick of two: "one guy who is really nice and not that good, and another guy who is really good but super-opinionated and arrogant"—Glassman, of course. Glassman's crew was tight-knit. He even ended up marrying one of his clients, a hairdresser named Lauren Jenai. When the Spa Fitness owner inevitably showed the



CERTIFIABLE CrossFitters do thrusters as part of a training seminar at CrossFit Morristown in Morristown, New Jersey. If you survive a two-day course, you can be certified to teach CrossFit and open your own place.

CrossFitters the door, and they leased a corner of a jujitsu studio, Lauren would manage the books and teach CrossFit classes herself. Soon they outgrew that space, and the Glassmans took their motley little group of cops, jujitsu fighters, and tech-company commuters to a 1,250-square-foot truck garage on a remote road three miles out in Soquel. In

2000, a number of clients asked if Glassman could put the WODs online so they could do them when they traveled, so he put up CrossFit.com.

It seems unlikely, from today's perspective, that a rudimentary site featuring a daily workout, a daily link to other fitness sites, and occasionally a photo of an athlete could generate a passionate viral following. But then you probably haven't tried a WOD. To a skeptical initiate, the commitment to the WOD seems odd: It might be just 10 minutes of alternating five reps of deadlifts with 100-yard

sprints. Simple enough, you think, as you picture yourself running around like a beheaded, powerlifting chicken. (In conventional gyms, CrossFit workouts draw stares.) But when you actually do that workout, halfway through you hit the baptismal version of what early CrossFitters fondly called the mess-you-up moment—the recognition that there's devilish magic in this offbeat combination. In a few minutes, you're the sorest you've been in years. You're not sure you will survive. It's an adrenaline rush. For anyone bored with standard weights

routines or the elliptical, it's addictive.

An early client of Glassman's described the CrossFit experience as "agony coupled with laughter." Glassman liked that. It was as if his increasingly fit posse had a subversive secret: combinations of exercises that seemed strange and reckless and maybe dangerous to the ignorant. When Elizer, who volunteered to build the website, asked Glassman if he had a logo in mind, Glassman thought about the idea of agony mixed with laughter, then thought about thumbing his nose at all the ho-hum personal trainers he had ever endured. He came up with a vomiting clown. He called it Uncle Pukie.

All around the country and the world, people tried CrossFit workouts, got hooked, and told their friends. When CrossFit.com added a comment board, it started filling up with people's posting their times and records and asking for help. Then, at the little truck garage in Soquel, pilgrims began to arrive.

Soon, Glassman started advertising seminars. For \$4,500 plus airfare and accommodations, he would come to you. Or, for \$1,000 a head, people could come to Soquel. He would lecture on everything he had concluded about fitness and run participants through workouts. Meanwhile, CrossFit.com devotees were attracting followers of their own. Robb Wolf, a biochemist and former powerlifter from Seattle, visited the Glassmans in early 2002. He and some friends were starting a little gym—could they call it CrossFit?

In 2004, Glassman started teaching his seminars regularly and formalized the affiliation process. The Glassmans incorporated the business and hired their first employee. In two years, the number of CrossFit boxes grew from three to more than 50. CrossFit was becoming a real company.

In December 2005, *The New York Times* ran a story about the budding CrossFit craze. The reporter interviewed some of the original CrossFitters and chronicled their fitness accomplishments, which were considerable. But the part of the article that grabbed the most attention was the opening anecdote: A first-time CrossFitter named Brian Anderson had experienced a true mess-you-up moment—he had ended up in

THE QUOTABLE GREG F@#%^ING GLASSMAN

ON THE IMPORTANCE OF
HAVING A STRONG TEAM:

"It's not like George Washington got up in front of a bunch of dirtbags."

ON REFUSING TO
SETTLE LEGAL CASES

"I'll spend \$5 million to keep some asshole from getting \$50,000 on a settlement. It's about avoiding the marginal cost of the next jerk who wants to step up."

ON HIS COMMITMENT
TO HIS AFFILIATES:

"Affiliates are everything. Whole stack of chips. I don't have aspirations for the planet or the economy or my legacy or estate that don't depend on you guys. So don't f--k it up."

the emergency room after his baptismal WOD. Repeated kettlebell swings had torn up his lower back to the point that he could barely stand. In intensive care, he was told he had rhabdomyolysis, a condition wherein muscle tissue breaks down to the point that it starts poisoning the kidneys. Rhabdomyolysis is rare as a result of athletics; ultramarathoners sometimes get it, but ER doctors are much more accustomed to finding it in cases of crushed limbs or massive third-degree burns. Anderson didn't need dialysis, but he spent six days on an IV drip in intensive care, followed by two months of physical therapy for his back.

Glassman was already familiar with

the Anderson case. In May 2005, the owner of the garage gym where the incident took place wrote about it in the CrossFit Journal, the company's online publication. In October, Glassman wrote an article himself, "CrossFit-Induced Rhabdo," in which he soberly explained the circumstances of the six CrossFit-related cases he knew about, outlined ways affiliates could lower the likelihood of injury, and announced he would add a rhabdomyolysis discussion to his weekend seminars and to the website.

But in the *Times* article—headlined "Getting Fit, Even If It Kills You"—Glassman used the kind of tough-guy talk he used to shout at CrossFitters during their WODs. "It can kill you...I've always been completely honest about that," he said. "If you find the notion of falling off the rings and breaking your neck so foreign to you, then we don't want you in our ranks." Punctuating his blunt attitude, he had led his October journal article with a cartoon of a new clown, Uncle Rhabdo, who stands exhausted before a dialysis machine, his kidneys splattered in a pool of blood. The *Times* mentioned that, too.

It was within this context that Glassman began ramping up his affiliation program. This was growth without a safety net: Anyone who passed his two-day seminar could apply to open a box, call it CrossFit, and then rush paying customers through squats and snatches or whatever crazy WOD they dreamed up. To Glassman, himself a passionate libertarian, this was the right thing to do: He wants his affiliates to be free to open up a box in a garage or a warehouse or wherever else, and train how they want, and charge what they want. They should have the opportunity he had. He detests supposed experts who say their certification or education makes them better than him or his people. At the end of the day, he believes, the free market will provide all the necessary quality control.

To the outside world, though, as Glassman's company has exploded from a cult fitness website to a gym concept primed to have more locations than Curves by the end of 2013, CrossFit can appear risky, unhinged: Here is a

CONTINUED
ON PAGE 114 ►

1&1 MY WEBSITE

THE BEST WAY TO GET YOUR BUSINESS ONLINE

Create your own professional web presence!

Add 1&1 Web Apps with one click
to make your website interactive.

High-quality customizable designs

Choose from hundreds of professional designs – create a business website that stands out from the crowd.



Quick and easy

Edit content, text and images. Make changes online at any time.



PREPAY FOR 1 YEAR
SAVE UP TO
\$120 first year*
STARTING AT \$ 6.99 PER MONTH

Get found online

Attract more visitors on search engines and engage customers with social media.

Google



Like



Tweet

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GET REAL

Jason Fried

Do You Really Know Your Customers?

I don't know mine. But now I'm determined to get up close and personal

DO MOST of my grocery shopping at a place called Olivia's Market, a small grocer in my neighborhood. In fact, I stop in at least three times a week, so I've gotten to know the owner, Bill Maheras, fairly well.

Now, I'm not saying we're best friends, but over the years we've traded a bunch of emails and had coffee down the street, and he's even offered me some choice Bulls tickets. Good guy, this Bill.

We also enjoy talking shop. To say that the grocery business is cutthroat would be a major understatement. Every day, Bill has to contend with slim margins, lots of competitors, scores of suppliers, and high inventory costs. No surprise, then, that Bill always tells me how lucky I am to run a software company. With high margins, no spoilage, and no inventory, our businesses are polar opposites.

But I always remind Bill how in at least one respect, he is far luckier than I: He actually knows his customers.

In today's hundred-data-points-on-your-customer world of online business, Bill has one data point that really matters: He can recognize a customer if he sees her walking down the street.

Jason Fried is co-founder of 37signals, a Chicago-based software company.

businesses, their stories; in which we might even recognize them if we bumped into them on the street?

I want to see if we can do this kind of thing at 37signals. How much better can we be if we know our customers for real, not just as data points?

So that's what we're going to do with our next product. It won't be self-service; it'll be full service. Rather than no touch, it'll be high touch. If you want to buy it, I want to get to know you a little first. A phone call, a videoconference, whatever—I just want to know who my customers are so I can really understand why they want to buy. I want to know if I can really help them.

What's this product? Well, that'll have to wait for my next column. Until then, go meet your local grocer, dry cleaner, and shop owner. Really talk to them. And let them inspire you.

Can you say that about your company? I know I can't.

We owners of Web-based businesses love to gloat about how many customers (make that users) we have. But do we really know any of them? Sure, we can calculate their lifetime value and figure out how many times they've logged in over the past 90 days, what brand of mobile phone they use, and how much they spend a month. But we wouldn't know who they were if they walked in our front doors.

The owners of such locally based businesses as Olivia's don't get glossy magazine covers, and industry websites never claim that they are changing the world. But I am more convinced than ever that we can learn a lot from the Bill Maherases out there.

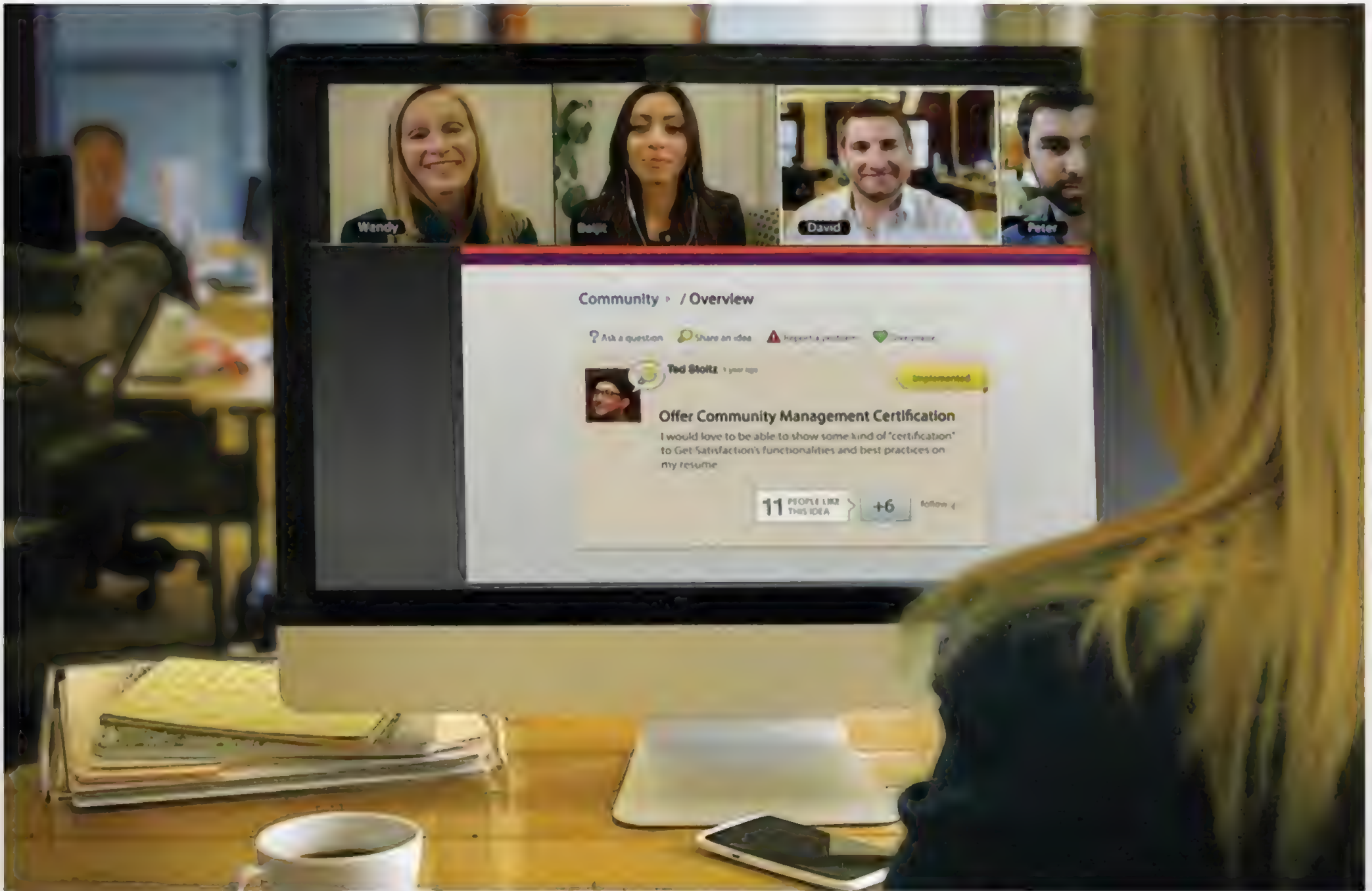
Why don't I know my customers the way Bill does? Obviously, scale is one reason: We have tens of thousands of individual paying customers. Another is geography; we have users in more than 50 countries, and it's not so easy to strike up individual relationships with them.

But the main reason is that our business is built on self-service. Customers buy Basecamp without ever having to interact with us. If they do have a question, we handle everything via email. We've been in the business of automation. We've never really valued full service.

There is nothing wrong with this. Our customers love our product. And they love that they don't have to talk to salespeople, make any phone calls, or wait for someone to approve their purchase to sign up.

But what if we tried to run our business more as Bill does? Is it possible to create a model in which we get to see—or at least hear—our customers on a regular basis; in which we know their names, their

“When you have the opportunity to go face to face with an easy to use tool like GoToMeeting, it completely changes the dynamic.” **Get Satisfaction** CEO Wendy Lea

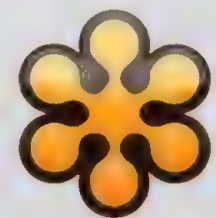


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one would return his calls. The economy had taken a dive, and companies were less open to spending money on new-fangled Web software. On top of those challenges, BuildOnline had grown too quickly. It had raised too much money, hired too many employees, and charged customers too much.

So austerity set in. Suster went from staying in high-end hotels to a 20-euro-a-night dump in Frankfurt, where guests had to step out into the snow to reach the communal bathrooms. "It was freezing, f---ing cold, and there were these Turkish construction workers with leopard-print underwear—like bikini-style underwear—going to shower with me, and I was like, 'What am I doing?'" Suster recalls. Sisteron, his mentor and investor at GRP, watched him struggle. "Nothing teaches you more than that kind of punishment," Sisteron says. "He survived. He matured."

Now, Suster brings his unvarnished perspective to young entrepreneurs. A few hours after meeting South Korea's president in May, he commandeers a conference room at the Santa Monica offices of Burstly, one of GRP's portfolio companies. Two entrepreneurs—Salmaun Ahmad, 32, and Jamal Ashraf, 29—walk in to discuss their start-up, Advocus. They had just moved from San Francisco to spend four months at Launchpad LA, where Suster had met them the week before. Ahmad nervously recaps Advocus's mission: helping businesses put

potential clients in touch with their best customers for recommendations. "Every company has advocates and evangelists," he tells Suster. "We're making those advocates accessible in the sales process."

Suster, who was double fistfing Diet Dr Pepper and coffee, interjects between bites of his turkey sandwich. He likes the idea but is skeptical about the implementation. "My best customers ought not be talking to the unwashed masses," he says. "And my medium and worst people ought not be talking to anybody. I don't have all the answers. I don't pretend that I do. I'm just here to spar with you and make sure you're thinking about it the right way." Ahmad responds, "We hear you loud and clear." They agree to meet again.

Next, Suster walks down the hall to Burstly's rec room. On a couch beside Ping-Pong and foosball tables, he meets with Arye Barneham and Laura Michelle Berman. Their start-up, Melon, makes a brain-wave-measuring headband that works with a mobile app to help users gauge their concentration. "It's about turning the invisible activity of your mind visible in a meaningful way," Barneham explains. "Almost like a 21st-century journal." Suster likes the idea, wondering aloud if Melon could help kids

with attention disorders. (Suster himself has ADD.) But did it really have to be a headband? "It kind of needs something that makes it feel less like, 'I'm John McEnroe,'" he quips.

Suster loves this kind of work. "I get paid to have the smartest people I know come to my office and hear how they want to change the world," he said. "And if I don't like the idea, I don't have to spend any more time with them." He misses being an entrepreneur, but he says he sleeps better as a VC. "The highs are more muted, the

lows are a little less panic driven," he explains. Having a bunch of start-ups in his portfolio dilutes his personal risk.

This spring, GRP promoted Suster to co-managing partner. With a young protégé, Jordan Hudson, he is preparing to rebrand the 17-year-old firm, which will be renamed Upfront Ventures, in a way that will emphasize openness, transparency, and strong opinions. In a sense, this project is his latest start-up. Its offices will move from buttoned-up Century City to lively Santa Monica, a hot spot in the Los Angeles start-up scene.

Not that Suster has to be there to connect. Thanks to his blog, he gets cold pitched by strangers everywhere these days. They collar him when he walks down the street at South by Southwest or when he is dining with his wife at a restaurant in New York City. That busy day in May is no different. That night, he attends a party at YouTube Space, a 41,000-square-foot Playa Vista aircraft hangar, to honor Cenk Uygur, co-founder of the Young Turks online news network, which has just reached one billion views. After the party, Suster is waiting for a valet to pull his car around when he is rushed by the founder of a digital media start-up from Irvine, California. "I recognize you by your image," the man gushes. After 14 hours straight of accessibility and blunt talk, Suster is eager to get home to his family in Pacific Palisades. But he stands still, nodding patiently as he listens to the pitch.

That's the contradiction in Suster. Beneath the tough talk, many of his critiques are meant as tough love. Case in point: A week after he chastised the "prima donna" from Silicon Valley on the phone, he had an update. With Suster as the sponsoring partner, GRP would lead a \$2 million round of financing for the company, which is set to debut this year. "Remember that guy I was talking to in the car?" he says. "We did sign a term sheet in the end. I got him to be reasonable." ■

JESSICA BRUDER, a former editor at Fortune Small Business, writes about start-ups for The New York Times. This is her first story for Inc.

"I get paid to hear how the smartest people I know want to change the world. And if I don't like the idea, I don't have to spend any more time with them."

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Kalanick does his part to bait his critics. He can be at times comically grandiose and un-self-aware. When I ask him why he left angel investing (which he was doing after selling Red Swoosh) to run Uber, his rambling, five-minute answer includes two hyperbolic claims, a mixed metaphor (“It’s so complex all you can do is swim in uncertainty”), childish whimsy (“that is my happy place”), and, believe it or not, an unironic *Braveheart* reference.

Kalanick has clearly devoted a lot of thought to his own mix of skills, which he refers to—often—variably as “creative pragmatism” and “pragmatic creativity.” What that means in short is that he understands the back-end workings of the business well enough that he could rebuild them himself (well, almost), and he also cold calls customers and says things to journalists aimed to warm consumers’ hearts, such as: “On Valentine’s Day in Chicago, we had every driver give every woman who got in the car a rose. That is scaling romance.” He’s something of a technical co-founder and a biz-dev whiz rolled into one. In this sense, he’s an investor’s dream CEO.

side or on the math side."

THE PLAYBOOK HAS WORKED all over the country, but in Miami, most of the plays have yet to be called, and the fact that Uber Miami has been a year in the making is a significant frustration. Radford, the GM for Atlanta, flew in to investigate Miami laws last summer, and when he reported back, Kalanick found them too tough to work around. A year later, Kalanick has met with Miami officials a couple of times, including in January, when Uber threw that more-secret-than-usual prelaunch recruitment party. He is hopeful a bill will be introduced soon that allows Uber to operate. "Everything I've gotten from any political leader there is very positive," he says.

just set passengers up with drivers. It's a company starting to dream of becoming a logistical nervous system for cities.

Kalanick's closest mentor, with whom he's on the phone or side by side nearly daily, is Shervin Pishevar, formerly a managing director at Menlo Ventures, an investor in Uber. Pishevar says he believed so much that the company's original model could scale globally that he helped enlist other investors, and a few celebrities, including Olivia Munn and Ashton Kutcher, to his round. That's because he likes Kalanick's reflexes, even when—as in Washington—they push him to fight. “His instincts are singular and unique,” Pishevar says. “He’s changed how city politics work.” Now that cities have changed their laws to accommodate this Silicon Valley approach to transportation, other logistics industries might want to brace themselves.

CHRISTINE LAGORIO is an executive editor for Inc.com.

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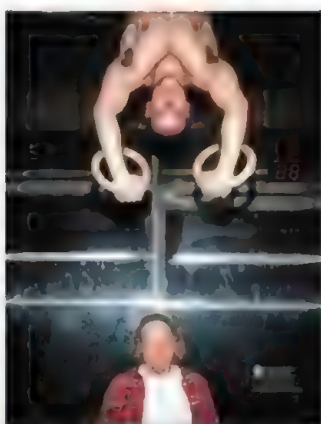
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fitness routine that has sent people to the hospital, overseen by people who may have had no more than two days of instruction. (Although every real trainer I met had considerable experience and was genuinely excellent, I attended the seminar and passed the test on my fourth day reporting this story. I am, believe me, no fitness savant.) And it's all led by a man who, in a 2006 CrossFit.com comment, wrote, "We have a therapy for injuries at CrossFit called STFU." As in, Shut the f--k up. That's enough to make even the most devoted laissez faire-ists get a little, well, Uncle Pukie.

Glassman reigns over this rampantly growing horde like a tribal chieftain. He now owns 100 percent of CrossFit and answers to no board of directors. Cash tends to race through the company. Until recently, the Glassmans each drew a salary of \$750,000 a year; the travel and entertainment budget is in the tens of millions of dollars, and Glassman also spends money on what he calls "brand statements," including a set of \$15,000 single-speed Swiss bikes and a \$350,000, 1,500-horsepower fully customized 2011 Camaro convertible. (Before our visit to El Borracho, I followed him to a meeting to see about another "brand statement": custom luggage for his senior team, emblazoned with Uncle Pukie.)

He also makes a concerted effort to avoid new streams of revenue. CrossFit makes most of its money from training seminars: Every weekend, it certifies hundreds of people as trainers, at \$1,000 a pop. It also collects registration fees for the CrossFit Games, royalties from Reebok for CrossFit apparel, and annual affiliate fees. The affiliate fees, which top out at \$3,000 a year, are locked in at their

original rates. Joshua Newman, who runs a big, successful box called CrossFit NYC, told me he pays just \$500 a year.

To Glassman, this is a philosophical choice. Selling CrossFit-branded equipment, nutritional supplements, or anything else would encroach on his box owners' freedom. "They're their own tribes," he says. "I'm not going into spaces that aren't our own."

As a result, his company's revenue (set to double this year, to \$100 million) is fueled almost completely by CrossFit's rampant proliferation. Meanwhile, a burgeoning ecosystem of other businesses has risen up to cater to these squatting, thrusting fiefdoms. There are multiple apparel companies; food and beverage companies (serious CrossFitters are often serious about the Paleo

So, although Glassman keeps the CrossFit business model radically loose and open, he protects the brand name with an iron fist.

Diet); businesses that cater specifically to box owners, with iPad apps that track workouts and manage membership rolls; business consultants who show box owners how to increase their revenue. A Web design firm specializes in CrossFit box sites. There are even two print magazines, *The Box* and *WOD Talk*.

Glassman is proud of his role in all this, but the system puts him and CrossFit at a very real risk. As the world of CrossFit grows, as more businesses enter and profit, and his share of it becomes smaller, CrossFit's greatest success—gaining mainstream acceptance as exercise and a sport—could turn it generic, like baseball or skiing. "One of our greatest fears is becoming *escalator*," says Dale Saran, CrossFit's general counsel, referring to what was once a trademarked name brand of Otis Elevator. So, although Glassman keeps the CrossFit business model radically loose and open, he protects the brand name with an iron fist.

Glassman has always been a fighter, an us-versus-them kind of guy, and as his company has grown, so has his arsenal: CrossFit now has seven lawyers on staff and at any given time is engaging 12 to 20 outside legal firms to pursue trademark-infringement cases. CrossFit has a database of more than 5,000 possible infringements and is litigating a dozen lawsuits in the U.S. and several more internationally.

This traditional legal effort is paired with an aggressive social-media operation run by two men, Russ Greene and Russell Berger. At CrossFit headquarters in Santa Cruz, they are known as the Russes. The Russes assist the company's conventional corporate social-media efforts (running the Twitter handle, promoting company news on the Cross-

Fit Facebook page) while also closely monitoring what they call "the wide world of Internet assholes": chronic complainers, trolls, Wikipedia page editors, cynical bloggers, even the American College of Sports Medicine, which the Russes and Glassman

believe has it in for CrossFit. When the Russes feel any of these parties go over the line, their approach is simple: They obliterate them.

After the Internet fitness community began talking about an Ohio State University study that described relatively high injury rates among CrossFitters, the Russes mobilized. They had Glassman's father, Jeffrey Glassman (now "chief scientist" at CrossFit), write a comprehensive rebuttal to the study for the CrossFit website. Berger called each and every research subject who had been reported as injured, to conclude that none actually were hurt, and then added an entire stammering Q&A with one of the paper's authors, kinesiology professor Steven Devor. Here's the kicker: The actual subject of the study was the great improvements in fitness the researchers found in CrossFit athletes. Aside from a handful of sentences, it was all positive.

It was in Glassman's own divorce case, though, that the CrossFit defense



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arsenal launched its full firepower. Lauren and Greg's marriage hit the rocks in 2009. Lauren became pregnant with twins and could no longer travel to the seminars. Greg, wrapped up with CrossFit, became more and more distant. Rumors of infidelity swirled. Soon the two were living in separate houses. In March 2010, Lauren officially filed for divorce. But the case didn't come to a head until July 2012, when Lauren filed a motion to sell her 50 percent stake in the company to Anthos Capital, a Menlo Park, California-based venture capital firm, for \$20 million. Glassman, and in short order CrossFit, hit the ceiling.

In court, Greg moved to block the sale. Lauren made a strong case. The \$17.5 million, five-year payment plan he was offering was too risky, she said. In documents filed in court, she showed how much the company spent on what seemed to her like frivolous expenses, including an \$11,000 a month lease on a house in San Diego and a \$763,000 four-seater plane. The Anthos deal was cash, and she still says she honestly believes Anthos had CrossFit's best interests in mind. At one point, according to court filings, Anthos proposed that affiliates get 1 percent equity to cast a deciding vote where Anthos and Glassman disagreed.

Outside of court, Glassman launched World War III against his wife and Anthos Capital. Glassman focused on one point: Anthos would kill CrossFit's spirit, transforming it into a franchise as regimented and conservative as McDonald's. Berger wrote a rallying cry that was originally posted on an internal CrossFit Facebook page and then went wider: "If Anthos gets ownership and forces Greg out, the affiliates can tell Anthos to go f--- off and all de-affiliate in mass....If every single one of you can get 5 people to care about this enough to write Anthos a 'f--- you' email, they will get the picture very quickly." Employees called affiliates around the clock to ask if they had questions and educate them about Anthos's true intentions as CrossFit saw them. When Anthos partner Bryan Kelly offered to field affiliate questions

on Lauren's Facebook page, the Russes assaulted him with pointed questions.

Brian Mulvaney, an adviser to Glassman, did his part. He sent Kelly a text message: "Bryan, I understand that you are 'in it for the fight.' This is my notice to you that I will make it my highest purpose to see that you lose. Lose the deal, lose your job, lose your reputation. Ah, I

printed on mixer bottles for protein shakes. On January 16, they received a cease-and-desist from CrossFit, objecting to the use of *CrossFitter*. A month later, CrossFit filed suit.

"We settled, because I don't want to spent 50 to 75 grand getting sued," says Jason Janke. "I covered up the sign."

Saran, CrossFit's general counsel,

"He's always had this tendency toward incredible kindness," says a former affiliate, "but he also has this rattlesnake intensity and cruelty."

forgot something. Lose your dignity."

That fall, the judge took a hard line with Greg, giving him a November deadline to come up with a cash counteroffer. Glassman came through with last-minute financing, in the form of a \$16 million loan at what he characterized to me as "credit card rates." He has five years to pay it off.

As CrossFit gets bigger and bigger, Glassman is no longer the underdog. Well-known employees and boxes have been tossed out after clashing with Glassman or voicing disagreements with the CrossFit approach to fitness or nutrition—or, in particular, criticizing other CrossFitters close to Glassman. In 2009, Robb Wolf, one of the first affiliates, was exiled. "You have to kowtow and not let your star shine too brightly," Wolf says. "He's always had this tendency toward incredible kindness, but he also has this rattlesnake intensity and cruelty."

CrossFit headquarters' aggression can be enough to stunt interest in the WOD—almost. In April 2012, two avid CrossFitters, Jason and Shannon Janke, opened up the PR Cave, a sporting goods store in Yorba Linda, California, designed to cater to boxgoers all around Orange County. In November, they added a sign, "Where CrossFitters Shop," and had the slogan

says it's all part of the fight against "the road to genericization." If people can sell "CrossFit equipment" the way they sell "baseball equipment," says Saran, then it becomes *crossfit*. Soon anyone will be able to coach crossfit or promote a crossfit tournament—effectively killing the value of being an official affiliate, or being CrossFit, for that matter.

That's a lot of tension—doing everything possible to make CrossFit a mainstream sport while legally or digitally body slamming anyone who refers to the CrossFit name to cater to its athletes or fans. Glassman has always thrived on doing the opposite of what anyone has ever figured was sensible or possible. But now Glassman's own intentions, of doing what he wants and letting others do what they want, are pressing up against each other more every day. In CrossFit, Glassman is hoisting two massive, contending ideas at once: CrossFit is an open-source workout for everyone to enjoy; CrossFit is a trademarked brand protected as viciously as a Hells Angels jacket. If it comes clattering down, it will be painful as all hell to watch. But if it succeeds? It won't be the first time a CrossFitter shocks people with how much weight he put above his head. You can bet Glassman's gonna try for another rep. **1**

— BURT HELM is Inc.'s senior writer.

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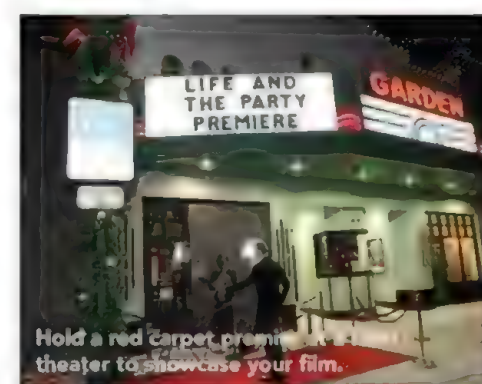
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Million Dollar Concepts

by Mark Henricks

What does a franchise concept that generates \$1 million per location look like? A lot like any franchise concept, according to the International Franchise Association, which recently forecast \$802 billion in annual sales for the country's estimated 757,438 franchise establishments. That works out to almost \$1.1 million in sales apiece.

Having said that, not all franchises are created equal. For one thing, since the \$1.1 million figure is an average, something approaching half of franchises won't generate seven-figure annual revenues. And even among those sharing the distinction of being in the million-dollar club, the quality of those sales -- meaning the amount of profit they generate -- is uneven.

"Often individuals may look at a large casual dining concept or a fitness gym and think that if there is high sales volume potential that must also equate to high income," says Amy Plaisted, vice president and co-founder of Lakeland, Florida, franchise consulting firm Brandchise. But this ignores the fact that different industries have different profit margins. A million dollars in revenue at one company may generate smaller profits than lower revenues at another business with fatter margins.

There's also the issue of investment and return on it. Some concepts require sizable start-up capital for real estate, fixtures, equipment, and inventory. Others require little more than the franchise fee, an initial marketing budget, and working capital to help the new franchisee get by until the venture passes breakeven and starts generating profits.

Finally, even identical businesses may produce very different financial outcomes depending on the quality of the leadership. "I feel that high sales volume and making money has far less to do with a concept than it does with the operational ability of the franchisee running the business," Plaisted says. "If the operator chooses to fill the business with employees and managers, his or her profit has just been given away to those employees and managers in the form of their paychecks."

So is there one major trait Plaisted suggests franchisees look for if they want big sales, big profits, and a bright future in any industry? She does, and it consists largely of the presence of real passion in the top executive of the franchiser. "I believe that it has less to do with the segment than it does with health of the brand, awareness of the brand, and passion of the CEO who is at the helm of that brand," Plaisted says.

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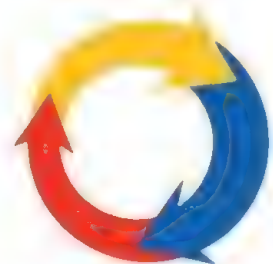
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Few franchise leaders are more passionate about their brand than Greg Muzzillo of Proforma. Muzzillo co-founded the Independence, Ohio-based franchiser of distributors of commercial printing and promotional products in 1978 with a \$200 investment.

Today, Muzzillo still bubbles with enthusiasm for the concept's B2B sales approach, its huge market, its global scope and modest start-up costs. But he's perhaps most excited about the way the business helps its franchisees achieve the million-dollar sales mark, something Proforma itself reached in its second year of business.

"We have over 122 members of our Million Dollar Club," Muzzillo says. "And we have over 40 members of our Multi Mullion Dollar Club, who do \$2 million to \$25 million per year." Proforma franchisees are business-to-business distributors of printing, branded promotional items, related graphic products and services, eCommerce solutions, multimedia production, and project management. The distribution model's low start-up and overhead costs allow franchisees to be very efficient and profitable.

Franchisees don't need to own printing presses or other costly production equipment. Nor do they require high-dollar high-traffic real estate, or mass-market ad campaigns. "At the end of the day, this is a sales and marketing business," Muzzillo says. "Our folks are out in the field growing their businesses. We're not a retail shop driving foot traffic to our store." The franchiser has a \$3-million fund to spend on annual marketing efforts to help franchisees get sales

appointments, recruit sales representatives, and sell major accounts, he says.

Proforma's business model has expanded to more than 750 franchise office across North America, with the highest density in larger metropolitan areas in the United States and Canada. They've also just begun international franchising, with one office in London and another in Ireland. With just \$430 million in sales into a \$200-billion market, Muzzillo says, they have plenty of room for growth.

Within a year, Muzzillo expects to have added 100 more franchise offices, for a total of 850. Because offices can draw on a network of 1,000 suppliers of products and services, and attract customers from all over the world, he isn't constrained by the need for staying close to a central supply depot, so he isn't targeting any specific markets. Proforma franchisees only need one franchise to market their products and service globally, he adds.

Seniors Helping Seniors is a franchise concept that manages to successfully marry providing a service that genuinely benefits the community with giving franchisees a business that generates substantial sales volume. "We have franchise partners who are breaking \$500,000 their first year in business, \$600,000 their second year in business, and \$1 million their third year in business," says Philip Yocom, CEO and co-founder of the Reading, Pennsylvania-based franchiser.

Revenues of Seniors Helping Seniors franchisees are translated into income via a low-overhead, home-based



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business model that requires no investment in inventory or equipment. What franchisees do is match less-active senior citizens living in their own homes with more-active seniors who provide in-home non-medical services including companionship and help around the house.

The work is conducive to creating stable revenues from repeat customers and also is highly rewarding to franchisees, Yocom says, "Seniors Helping Seniors' success is being driven by both the swelling demand for senior in-home services as well as the franchise community's desire to help because they want to not because they have to," he says.

Seniors Helping Seniors has a presence in 40 states, including more than 200 franchise territories. Larger metropolitan areas in the United States and United Kingdom -- part of a recent international expansion initiative -- will be targeted as they anticipate opening up to 100 more offices within the next year.

The targeted objective at Jersey Mike's could be said to have two bull's-eyes. One is serving the sub sandwiches that are the Manasquan, New Jersey-based restaurant franchiser's primary product offerings. The other is building customer relationships.

"We literally fresh-slice every single sub to order," emphasizes President Hoyt Jones. "We also fresh-grill every sub to order for cheese steaks. We feel like we have it down to a science -- we've been doing it since 1956."

In addition to an old-style focus on fresh ingredients and preparation, Jersey Mike's also pays close attention to the environment for both employees and patrons. "We've got great atmosphere in our stores and pride ourselves on the quality of the individuals that work behind our counters," Jones says. "We try to create a dialogue with customers going through the line, so it's not just a transaction. We're trying to develop a relationship with each and every customer so that it's a friendly place to work and a friendly place to eat."

Friendly doesn't mean not competitive or unconcerned about increasing per-unit sales. With that in mind, Jones is leading an effort to start placing Jersey Mike's in sites with more traffic and more opportunity. "Now we're going after the A locations, which puts us into a different category," he says. "We're paying to play in the big leagues. And we're being rewarded with higher volumes."

Jersey Mike's has 620 open locations in 33 states, including California, Texas, Florida, and the East Coast from New

Jersey to the Carolinas. They entered Chicago successfully a few years ago and are now planning their first two stores in Manhattan as well as additional locations in the New York City suburbs.

Over the next 12 months, Jones sees an additional 190 locations opening up. "Our 12-month pipeline continues to grow," he says. "This year, we're basically building in every single market we're in."

Daycare Cleaning Systems has been built since 2001 from a small janitorial services company in Southern New Jersey into a cleaning firm serving customers in Philadelphia, New Jersey, Pennsylvania, Delaware, and New York, including New York City and Long Island. Along the way, the company founded by Rob Nestore has remained true to the niche of cleaning childcare and educational facilities.

After refining and systematizing the operation of Daycare Cleaning Systems, Nestore began seeking franchises last year. The company's ability to address the special cleaning needs of educational markets has helped Nestore land sizable contracts with charter and public schools at the elementary and high school levels as well as many of the top childcare chains.

Nestore's plan for Daycare Cleaning Systems calls for signing up five to 10 area developers over the next year or two. Thus far, there isn't a history of franchisee sales to say what the revenue potential of franchisees' might be. However, Nestore says the business is there for franchisees who are ready to commit to getting it. "This is not a get rich quick scheme," he says. "The degree of success depends on the amount of effort and energy put into learning and executing each phase of the business."

As these franchises illustrate, million-dollar opportunity can come in a variety of guises. Whether in quick-serve dining or healthcare, retail sales, or business-to-business services, most segments can boast at least a few concepts with high sales volume potential. In the end, there is no niche or type of franchise that has the best overall promise of sales or return on investment, Plaisted says. Instead, various factors including up-front and ongoing costs, lead time until breakeven, and the franchisees ability to control how much money he or she makes all play key roles.

If the goal is to build personal income and personal wealth, top-line sales is just the beginning. "A million-dollar franchise," she says, "does not necessarily equate to 'I'll become a millionaire.'"

Thirty-eight years ago a football coach helped a 17-year old running back buy a sub shop.

The running back was Peter Cancro, founder and CEO of Jersey Mike's Subs. Today, that initial investment in a young man's passion and dreams has grown to a restaurant system with over 750 stores open and under development with a vibrant culture of giving to important causes in the community.

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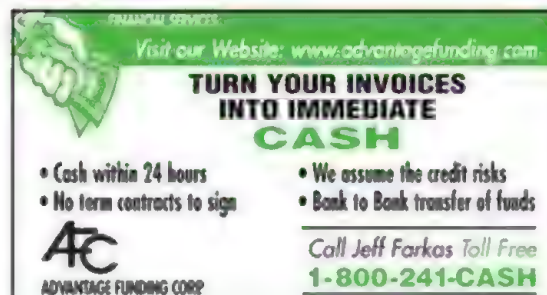
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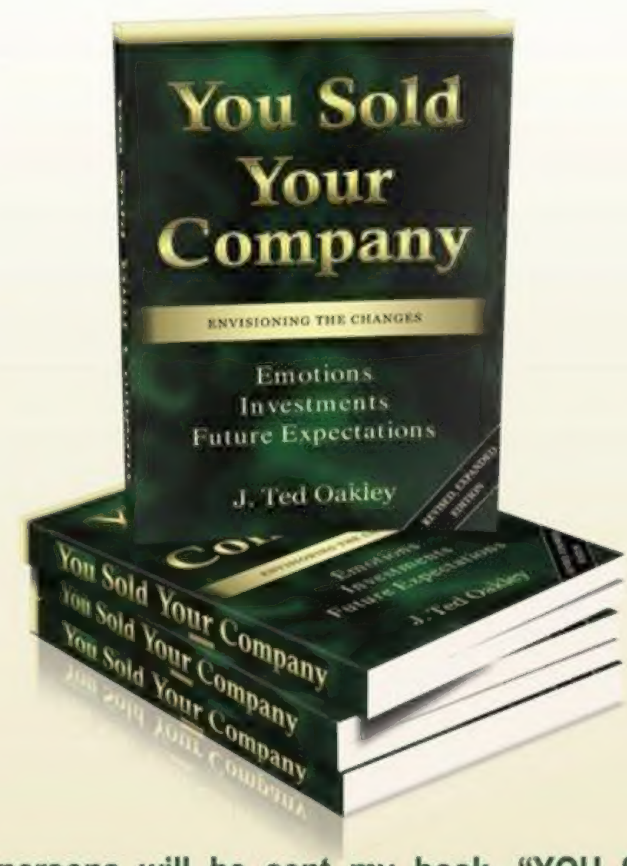
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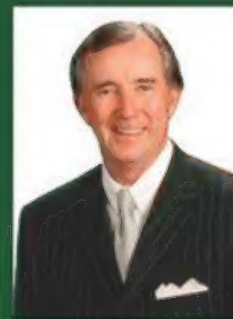
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About the author: Ted Oakley has developed his unique perspective over more than three decades assisting business owners after the sale of their companies, in investment management, wealth security and life transition. His book helps the reader more fully understand, envision and manage all that lies ahead after a sale. Ted is a successful entrepreneur and investor, founder of Oxbow Advisors – an investment advisor specializing in working exclusively with post-sale company owners, and an advocate for foster children, having formed two public foundations for their benefit. In spite of humble beginnings, Ted has built and been involved with a number of successful companies, and developed a highly specialized advisory firm working with clients who sold their companies, in 30 states.

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Angie Hicks

Yes, she's the public face of Angie's List, the \$156 million review site she founded in 1995, but Angie Hicks still struggles to overcome her shyness.

By ISSIE LAPOWSKY



➤ **HITTING THE BRICKS**
In the early days of her company, Angie Hicks went door to door signing up members for Angie's List.

What have you sacrificed for success?

It's less about what you sacrifice and more about what you prioritize. The best advice I got early on: Only you can make your family a priority.

What's one thing your employees would be surprised to know about you?

I'm really shy. I'm the face and voice of the company on TV, in magazines, and on the radio, but I have to work to stretch outside my natural comfort zone in those scenarios.

What have you learned about yourself while running your business?

One of my strongest traits is perseverance. It has helped me accomplish things I never dreamt of being able to do, like selling door to door.

The biggest myth in business is...

Success means not failing. I think success is embracing failure and learning from it.

Who gives you the best advice?

My husband. He's great at problem solving and pushing me to strive further.

Which fictional character would you like to go into business with?

Alicia Florrick, from *The Good Wife*. She's bright and shows great perseverance.

If you were to start your own political party, what would the platform be?

The Consumer Rights Party, which stands for empowerment and transparency for all.

What's the most embarrassing thing you're willing to admit here?

I'm addicted to reality TV, especially the *Real Housewives*.

If you could time travel, where would you be right now?

Right here. My family is my world, and I count my professional colleagues as part of that. I try really hard to live in each moment.



SCAN THE PAGE TO WATCH ANGIE HICKS DISCUSS HOW SHE TOOK HER COMPANY FROM ZERO TO IPO. (See page 12 for details.) For the Founders Forum video with Inc.'s Scott Gerber, go to www.inc.com/founders-forum

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